

BUSINESS ENVIRONMENT

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On behalf of TEAM YES

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Sr No	CHAPTERS	Pg No
1.	ENTREPRENEURSHIP SCENARIO	1.2-1.32
2.	BUSINESS ENVIRONMENT	1.33-1.54
3.	Key Government Institutions	1.55-1.70
4.	Global Environment	1.56-1.106
5.	Environmental Governance	1.107-1.131
6.	AI and Business Environment	1.132-1.169
7.	Elements of Corporate Governance	1.170-1.196

CHAPTER 1: ENTREPRENEURSHIP SCENARIO

INTRODUCTION

Entrepreneurship is defined as the process of making money, earning profits and increasing the wealth while posing characteristics such as risk taking, management, leadership and innovation. The term Entrepreneurship is a complicated term and gives various meaning depending on the situation.

The word entrepreneur has a French origin. It originated during the Middle Ages when the term entrepreneur was applied to "the man in charge of the great architectural works: castles and fortifications, public buildings, abbeys and cathedrals". It is derived from the French word, *entreprendre*, which means "to undertake." In a business context, it means to undertake a business activity or simply to start a business. The Merriam Webster Dictionary defines an entrepreneur as 'one who organizes, manages, and assumes the risks of a business or enterprise'.

Concept of Entrepreneurship – Key Points

- The concept of **Entrepreneurship** has a **wide range of meanings**.
- On one extreme:
 - An entrepreneur is considered a person of **very high aptitude**.
 - Such a person **pioneers change**.
 - Possesses characteristics found in only a **very small fraction of the population**.
- On the other extreme:
 - Anyone who wants to **work for himself** is considered an entrepreneur.
 - Entrepreneurship is equated with **simply starting one's own business**.
- Most economists believe entrepreneurship is **more than just starting a business**.

- Different views of economists:

Some economists define an entrepreneur as:

A person willing to bear the risk of a new venture

Provided there is a significant chance for profit

Others emphasize that:

The entrepreneur plays the role of an innovator

Who markets his innovation

Still other economists state that:

- Entrepreneurs develop new goods or processes
- That the market demands
And which are not currently being supplied

Historical Background of Entrepreneurship

- The concept of entrepreneurship was first established in the 1700s.
- Its meaning has evolved continuously since then.
- Various economists and philosophers have interpreted the term differently in their own unique ways.

Cantillon's View on Entrepreneurship

- Cantillon referred to entrepreneurs as one of the classes of 'landowners'.
- According to him, they were: Financially independent aristocrats
- He defined entrepreneurs as:
 - Individuals who purchased a good at a certain price
 - Used that good to produce a product
 - Then sold that product at an uncertain price
- In his theory:
 - Risk and uncertainty play central roles in the economic system.

➤ According to Cantillon:

- Successful entrepreneurs are those who:
Make better judgments about changes in the market
- Cope with risk and uncertainty better than their counterparts

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Entrepreneurial Motivation and Economic Development

- Entrepreneurial motivation is one of the most important factors.
- It accelerates the pace of economic development.

It does so by:

Encouraging people to undertake risk-bearing activities.

Four Key Elements of Entrepreneurship

- Innovation
- Risk taking
- Vision
- Organising skills

Entrepreneurship has rightly been identified with the individual, as success of enterprise depends upon imagination, vision, innovativeness and risk taking. The production is possible due to the cooperation of the various factors of production, popularly known as land, labour, capital, market, management and of course entrepreneurship. The entrepreneurship is a risk taking factor, which is responsible for the end result in the form of profit or loss.

The early history of entrepreneurship in India reflects from the culture, customs and tradition of the India people. The Baliyatra Festival of Cuttack, Orissa reminiscence of past glory of International trade.

The process of entrepreneurship, therefore passed through the potential roots of the society and all those who accepted entrepreneurial role had the cultural heritage of trade and business. Occupational pursuits opted by the individual under the caste system received different meaning of value attached to entrepreneurship, which is based on social sanctions.

As society grew and the process of business occupation depended and the value work tended towards change and the various occupational role interchanged with non-role group and sub-groups. People from different castes and status also entered into the entrepreneurial role. The emergence of entrepreneurship in this part of the country got localized and spread effect, took its own time. The concept of growth theory seems to be closely related in explaining the theory of entrepreneurship development as well.

In the 20th century, economist **Joseph Schumpeter (1883-1950)** focused on how the entrepreneur's drive for innovation and improvement creates upheaval and change. Schumpeter viewed entrepreneurship as a force of "creative destruction." The entrepreneur carries out "new combinations," thereby helping render old industries obsolete. Established ways of doing business are destroyed by the creation of new and better ways to do them. According to A Schumpeter "The entrepreneurship is essentially a creative activity or it is an innovative function".

After the Second World War, entrepreneurship received new meaning for attaining economic development within the shortest possible time; as concern for economic development became all-pervasive. There was a growing concern for economic development and this strengthened interest in enterprises. This led to the development of the entrepreneurship in India.

Business expert **Peter Drucker (1909-2005)** took this idea further, describing the entrepreneur as someone who actually searches for change, responds to it, and exploits those changes as an opportunity.

For instance; a change converted from typewriters to personal computers to the Internet. According to Peter P Drucker, "Entrepreneurship is neither a science nor an art. It is a practice. It is knowledge based. Knowledge in entrepreneurship is a means to an end, that is, by the practice."

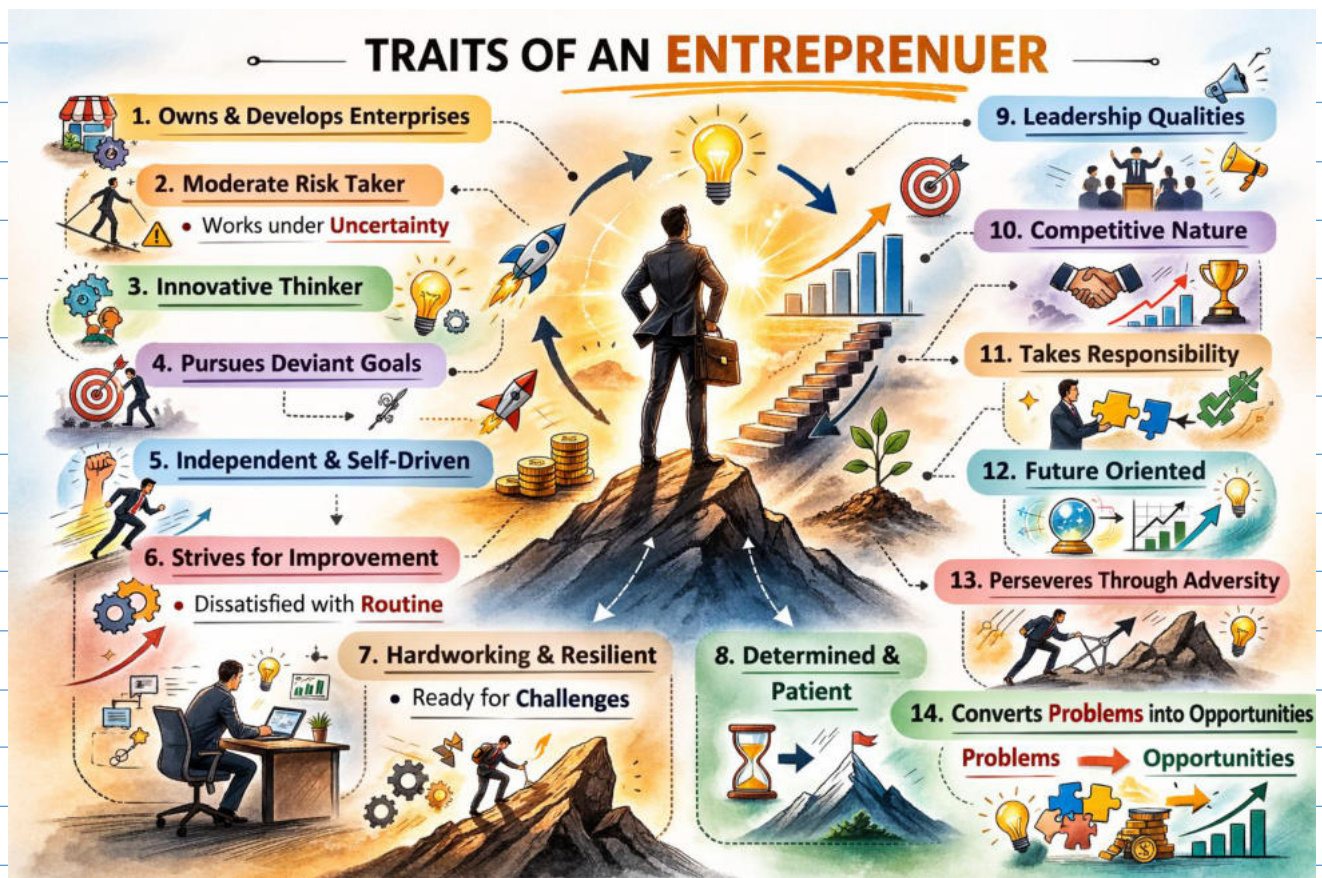
The culture of a community also may influence how much entrepreneurship there is within it. Different levels of entrepreneurship may stem from cultural differences that make entrepreneurship more or less rewarding personally. A community that accords the highest status to those at the top of hierarchical organizations or those with professional expertise may discourage entrepreneurship.

In crux these are various interchangeable meanings of what is entrepreneurship.

- A theory of evolution of economic activities.
- A continuous process and an ingredient of economic development.
- Essentially a creative activity or an innovative function.

- A risk taking factor which is responsible for an end result.
- The name given to the factor of production, which performs the functions of enterprise.
- Creates awareness among people about economic activity.
- Generates Self-employment and additional employment.

Traits Of An Entrepreneur



Who is an Entrepreneur?

'One who undertakes an endeavor' is the meaning of the French word entrepreneur. There is no one definitive profile. Successful entrepreneurs come in various ages, income levels, gender, and race.

They differ in education and experience. But research indicates that most successful entrepreneurs share certain personal attributes, including: creativity, dedication, determination, flexibility, leadership, passion, self-confidence, and “smarts.”

Creativity is the spark that drives the development of new products or services or ways to do business. It is the push for innovation and improvement. It is continuous learning, questioning, and thinking outside of prescribed formulas.

Dedication is what motivates the entrepreneur to work hard, 12 hours a day or more, even seven days a week, especially in the beginning, to get the endeavour off the ground. Planning and ideas must be joined by hard work to succeed. Dedication makes it happen.

Determination is the extremely strong desire to achieve success. It includes persistence and the ability to bounce back after rough times. It persuades the entrepreneur to make the 10th phone call, after nine have yielded nothing. For the true entrepreneur, money is not the motivation. Success is the motivator; money is the reward.

Flexibility is the ability to move quickly in response to changing market needs. It is being true to a dream while also being mindful of market realities. A story is told about an entrepreneur who started a fancy shop selling only French pastries. But customers wanted to buy muffins as well. Rather than risking the loss of these customers, the entrepreneur modified her vision to accommodate these needs.

Leadership is the ability to create rules and to set goals. It is the capacity to follow through to see that rules are followed and goals are accomplished.

Passion is what gets entrepreneurs started and keeps them there. It gives entrepreneurs the ability to convince others to believe in their vision. It can't substitute for planning, but it will help them to stay focused and to get others to look at their plans.

Self-confidence comes from thorough planning, which reduces uncertainty and the level of risk. It also comes from expertise. Self-confidence gives the entrepreneur the ability to listen without being easily swayed or intimidated.

"Smarts" consists of common sense joined with knowledge or experience in a related business or endeavour. The former gives a person good instinct, the latter, expertise. Many people have smarts they don't recognize. A person who successfully keeps a household on a budget has organizational and financial skills. Employment, education, and life experiences all contribute to smarts.

Characteristics of an Entrepreneur



(i) **Mental Ability:** Entrepreneur must have creative thinking and must be able to analyse problems and situations. He should be able to anticipate changes.

(ii) **Business Secrecy:** He should guard his business secrets from his competitors.

(iii) **Clear Objectives:** He must have clear objectives as to the exact nature of business or the nature of goods to be produced.

(iv) **Human Relation:** He must maintain good relations with his customers, employees etc. to maintain good relationship he should have emotional stability, personal relations, tactfulness and consideration.

(v) **Communication Ability:** He should have good communication skills means both the sender and the receiver should understand each others message.

Why Entrepreneurship

1. Doing What You Love

If an entrepreneur is going to start his business it is assured he will get better odds to succeed if he is doing something he loves. Why? Because, passion is the fuel that is needed to face all the obstacles.

It is natural to feel fearful to fail. But to start with one's own business is like leaving Comfort Zone and entering a Twilight Zone.

It is an activity where it should be ensured to strike balance between the business what you love to do and which is profitable as well.

Additionally in the business jungle; it is of utter most importance to survive being one of the best and that is easier if the entrepreneur is passionate about what he is doing.

Therefore, one of the advantages of being an entrepreneur is doing what one loves.

"Choose a job that you like and you will never have to work a day in your life."

– Confucius

2. Independence and Freedom

Entrepreneurship allows undertaking the activities of one's choice and comfort which offers independence and freedom in return. Many people think independence and freedom means going to work or take vacations when you want or need. The truth is that is not possible at least in the earlier years of business. On the other hand, when business is mature, strong and self sufficient, it begins to offer independence and financial freedom.

"Entrepreneurship is living a few years of your life like most people won't, so that you can spend the rest of your life like most people can't"

– A Student in Warren G. Tracy's Class

3. Recognition and Self Fulfilment

Entrepreneurship provides the ability to be involved in the total operation of the business, from concept to design and creation, from sales to business operations and customer response.

It offers the prestige of being the person in charge.

In line with the Maslow's hierarchy of needs, it is human to desire for recognition and strive for self fulfillment and achievement. Entrepreneurship offers excitement compared to being regular employees. Entrepreneurs enjoy much excitement beginning from the planning stage of the business up to development and realization. Thrill- seekers obviously love being entrepreneurs as they are exposed to too much risk.

"What a man can be, he must be. This need we call self actualization."

- Maslow

"I have wandered all my life, and I have also traveled; the difference between the two being this, that we wander for distraction, but we travel for fulfillment."

- Hilaire Belloc

4. Income Potential

Entrepreneurship offers a greater possibility of achieving significant financial rewards than working for someone else.

This is a big one because when you're an entrepreneur you can create a direct relationship between your efforts and your income. In other words: if your efforts are higher your reward should be higher too. Of course that happens if your efforts are well planned, effective and well focused.

Many people really believe that of all the advantages of being an entrepreneur this is the best. That's probably because in comparison to a job where employer, the company's financial budget, the Board and the economy decides salary. In case of an entrepreneur nobody except the market forces defines returns and income.

"A large income is the best recipe for happiness I ever heard of."

- Jane Austen quotes

5. Own Boss

Entrepreneurs are their own bosses. They make the decisions. They choose whom to do business with and what work they will do. They decide what hours to work, as well as what to pay and whether to take vacations.

"Your real boss is the one who walks around under your hat."

-Napoleon Hill

6. Innovation

Entrepreneurship creates an opportunity for a person to make a contribution. Most new entrepreneurs help the local economy. A few – through their innovations – contribute to society as a whole.

One example is entrepreneur **Steve Jobs, who co-founded Apple in 1976**, and the subsequent revolution in desktop computers. It gives an individual the opportunity to build equity, which can be kept, sold, or passed on to the next generation.

TYPES OF ENTREPRENEUR

Understanding the types of entrepreneur personality type helps in enjoying business as well as providing with what it needs to grow in best.

Each entrepreneur personality type can succeed in the business environment if it is true to character. Identifying strong traits is essential and can act as a compass for the business.

1. Idealist

The idealist entrepreneur is the most common type of entrepreneur. He likes **innovation and enjoys working on something new or creative**. He is guided by more ideals while keeping in view the ideas that are formulated by him in order to pursue his innovation.

2. Optimizers

The optimizer entrepreneur comes in a close second and is content with the personal satisfaction of simply being a business owner. It is derived from **being optimistic**.

3. Hard Workers

The hard workers entrepreneur category includes persons who enjoy putting in long hours to build a larger and more profitable business. They like to **challenge themselves and strive harder** to attain the same. They reap the most rewards if the business turns out to be a multi-million dollar enterprise.

Hard work comes with all businesses but not everyone works hard for the business to grow as this type of entrepreneurs does.

4. Sustainers

As the meaning of the word itself implies, sustain is to maintain; the sustainer type of entrepreneurs comprise of people who like to maintain a balance between work and a personal life. Most often, they do not wish the business to grow too large where it will cut into their personal life. These people just need enough to survive.

5. Improver

The improver types of entrepreneur are the ones who predominantly are focused to start a business to improve the world. Their motto is to work in a manner which is morally and ethically correct so as to contribute to a noble cause. Improvers have an unwavering ability to run their businesses with high integrity. At the same time, these people need to be aware of their tendency of being over critical of employees and clients in order to be a perfectionist.

6. Advisor

These types of people believe in consumer sovereignty where they indulge excessively in providing customer services. This business personality type will provide an extremely high level of assistance and advice to customers. They want to please their customers. Their businesses soon become customer oriented business which involves providing advisory services to them at a cost to themselves.

7. Superstar

This type of entrepreneur is lead by charisma, charm and high energy. An entrepreneur like this has an overwhelming personality which works in his favour so does in the favour of business. This personality often will cause to build business around own personal brand. However, such people tend to become too competitive and workaholics; which can sour the workplace and the market. Entrepreneur example is Peter Sematimba, CEO of Super FM.

8. Artiste

These are creativity oriented entrepreneurs. Thus, the type of business also are those which demand huge levels of creativity such as; advertising agencies and people in the music industry. The artist involves in business activity which is centered around their talents and creative fields. The limitation faced by such entrepreneur is that of over sensitively reacting to the customers feedbacks if such is a negative one.

9. Visionary

Normally, all the businesses are founded keeping a vision in mind. The founding members who visualize a dream and materialize the same are known as visionary. These are thinkers who pursue to make their vision come true. Such people are curious in nature and have a long sighted vision which helps them in understanding the world around better thereby to set up plans to avoid pitfall and hurdles. At the same time, these people lack to relate their dreams with reality which might result in opposite results when it comes to starting up all new. Thus it is advisable to act before visualizing.

10. Analyst

These types of entrepreneurs excel at problem solving in a systematic way. Thus businesses involving complications suit them a lot. They are able to crop up the solution at no cost and less time. The challenge is to realize that too much analysis can result in no action being taken. Secondly, they might get caught in analysis paralysis.

11. Fireball

Fireball is a casual word used for an energetic person so does it imply for entrepreneurs. A business owned and operated by a fireball is full of life, energy and optimism. Such businesses are life energizing and makes customers feel the firm has a get it done attitude. Since every coin has two sides, such people have a downside too. In being too outright and energetic, they may over commit and act too impulsively. Maintaining a balance for impulsiveness with sensitive planning is of utter most importance.

12. Jugglers

A juggler conventionally means entertainer who keeps several plates, knives, balls, or other objects in the air at once by tossing and catching them. The art of juggling has been practiced since antiquity. The juggler entrepreneur likes the concept that the business gives them a chance to handle everything themselves. They are usually people with lots of energy and exist on the pressure of meeting deadlines, paying bills and of course making payroll.

13. Hero

Hero like entrepreneurs are the people with great willingness and efficient leadership. He inspires others. He has an incredible will and ability to lead the world and the business through any challenge. He is the essence of entrepreneurship and can assemble great companies. Over promising and using force full tactics to get the way out are the bane sides of being a hero entrepreneur; which definitely is not fruitful in long term.

14. Healer

Healer as the name suggest, nurtures the business by bringing harmony with a surprising ability to survive with an inner calm. Healer is closely related to calmness which lets him avoid the outside harsh realities of business.

One must keep a scenario planning to pre prepare for any kind of turmoil.

ENTREPRENEUR VS. MANAGER

For many entrepreneurs, one of the most difficult tasks is to make the successful transition from a creative, task- juggling entrepreneur to a business-skill-applying manager.

The terms Entrepreneur and Manager are considered same; but these have different meanings altogether. These cannot be used interchangeably. The following are some of the differences between a manager and an entrepreneur.

- The main difference between the two terms is that an entrepreneur starts a business enterprise constituting of ideas he comprehends; employing personal stakes in it where as a manager provides his services in an enterprise established by entrepreneur.

- An entrepreneur and a manager **differ in their standing**, an entrepreneur is the owner of the organization and he bears all the risk and uncertainties involved in running an organization where as a manager is an employee and does not undertake responsibilities for any risk.
- An entrepreneur and a manager **differ in their objectives**. Entrepreneur's objective is to innovate and create and he acts as a change agent where as a manager's objective is to supervise and create routines. He implements the entrepreneur's plans and ideas.
- An entrepreneur is faced with more **income uncertainties as his income is contingent on the performance of the firm** where as a manager's compensation is less dependent on the performance of the organization.
- An entrepreneur is **not induced to involve in fraudulent behavior** where as a manager does. A manager may cheat by not working hard because his income is not tied up to the performance of the organization.
- Their areas of qualifications differ in the sense that; **entrepreneur is required to have certain qualifications and qualities like high accomplishment motive**, innovative thinking, forethought, risk-bearing ability etc. Conversely it's mandatory for a manager to be educated in the fields of management theories and practices.

"An entrepreneur could be a manager but a manager cannot be an entrepreneur". An entrepreneur is intensely dedicated to develop business through constant innovation. He may employ a manager in order to perform some of his functions such as setting objectives, policies, rules etc.

A manager cannot replace an entrepreneur in spite of performing the allotted duties because a manager has to work as per the guidelines laid down by the entrepreneur.

INTRAPRENEURSHIP

A dictionary meaning to word provides that, **"A person within a large corporation who takes direct responsibility for turning an idea into a profitable finished product through assertive risk-taking and innovation is an intrapreneur."** It is derived as INTRA (corporate) + (entre)PRENEUR].

The word intrapreneur is the recently coined corporate counterpart to long existing term entrepreneur. This coinage is generally attributed to management consultant Gifford Pinchot, author of the 1985 book entitled Intrapreneuring. Since inception of this term in the scant number of years, intrapreneur has gained momentum and currency very rapidly.

Intrapreneurship is a combination of entrepreneurship and management skills. In simple words, Intrapreneurship is the practice of entrepreneurship by employees within an organization. The trend today is such that every one who is capable of managing others business is himself indulging in entrepreneurship. This is resulting in inadequacy of management staff. In the emergence of this changing pattern, the concept of intrapreneurship is originated where the intrapreneur (i.e. Manager) is made the head of a given business unit and asked to manage it for the organization while employing innovative skills.

As an example, when a company seeks for diversification options, they can appoint one of their managers as an intrapreneur to launch the business venture while allowing him to share the part of the profits made by the new business venture.

Features of Intrapreneurship

An intrapreneur thinks like an entrepreneur looking out for opportunities, which profits the organization. Intrapreneurship is a novel way of making organizations more profitable where employees entertain entrepreneurial thoughts. It is in the interest of an organization to encourage intrapreneurs. Intrapreneurship is a significant method for companies to reinvent themselves and improve performance. Managers would do well to take employees who do not appear entrepreneurial but can turn out to be good intrapreneurial choices.

Key Characteristics of Intrapreneurship

- It promotes the managers to be more innovative and take more responsibility while demonstrating charismatic leadership qualities.

- Intrapreneurship projects are funded by large business organization and agreed percentage of profits are remitted to the fund provider/head quarters of the business.
- Intrapreneurship will cultivate entrepreneurial skills/culture within the corporate culture where managers will be motivated to accept more risk.
- Due to the backing from the headquarters, the chances of failure are low when compared to start ups.
- It adds value to the life of the intrapreneur as he is being given the task of being an entrepreneur while receiving necessary training from headquarters.
- Business portfolio of funding organization will be expanded creating diversification.
- Finally, it creates wealth for the headquarters as well as for the intrapreneur through its profit sharing agreement.

Difference between an Entrepreneur and an Intrapreneur

An entrepreneur takes substantial risk in being the owner and operator of a business with expectations of financial profit and other rewards that the business may generate.

On the contrary, an intrapreneur is an individual employed by an organization for remuneration, which is based on the financial success of the unit he is responsible for. Intrapreneurs share the same traits as entrepreneurs such as conviction, zeal and insight. As the intrapreneur continues to express his ideas vigorously, it will reveal the gap between the philosophy of the organization and the employee. If the organization supports him in pursuing his ideas, he succeeds. If not, he is likely to leave the organization and set up his own business.

The words entrepreneur and intrapreneur have acquired special significance in the content of economic growth in a rapidly changing industrial climate both in developed and developing countries. Entrepreneur is a key person who envisages new opportunities, new techniques, new lines of production, new products and coordinates all other activities. He likes to experiment with new ideas and thus, face uncertainty. He works for himself and for profits.

On the other hand, intrapreneurs are entrepreneurs who catch hold of a new idea for product service or process and work to bring this idea to fruition within the framework of the organisation. Intrapreneurs with their innovations and dedicated effort are perceived as valuable asset by the organisation, inspiring others. They serve as champions to others in those organizations. In America a number of business executives have left their jobs and started their own enterprises because they were not given chance to test and implement their innovative ideas. Later they achieved phenomenal success in their new venture and posed a threat to the companies they left. These executives turned entrepreneurs are known as intrapreneur.

The Entrepreneur is typically a visionary who spots an opportunity in the marketplace and has the passion, guile and contact base to set the wheels in motion. The Intrapreneur has passion and drive but also has the operational skills of running the “clockwork” of the business to enable a good idea to be turned into commercial reality. He is the “inside entrepreneur”.

Both “preneurs” set themselves aside from employees in a number of ways but perhaps the most significant is in their relationship with the business. It’s a question of commitment over involvement. Employees are involved, “preneurs” are committed.

Not every business needs an Entrepreneur, but every business needs an Intrapreneur.

In the same way that the seed of a business idea needs an Entrepreneur to shape and cultivate it, so the Entrepreneur needs the Intrapreneur to pluck from his grasp those seeds of opportunity, convert them in to a viable commercial plan and then manage that plan to a profitable reality. Without the intrapreneur, ideas entrepreneurs and small business are doomed to fail.

Intrapreneurship vs. Entrepreneurship

- Entrepreneurs can be found anywhere; whereas intrapreneurs are found, rather encouraged within the confines of an organization
- While entrepreneurs face hurdles in the form of ridicule and setbacks from the society in general; intrapreneurs have to face rivalry within the organization they work.
- Entrepreneurs find it difficult to arrange resources while these are readily available to intrapreneurs.

DISTINGUISHING FACTORS	MANAGER	ENTREPRENEUR	INTRAPRENEUR
Primary Focus	Salary Promotion Traditional corporate rewards	Independent Chance to be creative Opportunity to make more money	Independent Chance to be creative To move towards organizational and personal successes
Skills Required	Managing qualities like leadership, organizing, planning, communication skills etc.	Creativity, Innovative, Risk taking, Visionary, Passion, Dedication, Determination	Blend of managerial and entrepreneurial skills
Time Focus	Short term to meet deadlines set by top management	Survival and achieving long term growth	To meet self imposed deadlines
Activity Delegation	Delegated by top management	Delegated to oneself	Delegated to oneself
Amount of Risk Bearing	Conservative	Extreme	Moderate
Status Check	Concerned about status	Not concerned about status	Not concerned about status
DISTINGUISHING FACTORS	MANAGER	ENTREPRENEUR	INTRAPRENEUR
Failure and Mistakes	Minimizes mistakes	Deals with mistakes	Reduces risky activities
Decision	Agrees with top management	Follows a dream	Gets help from others to achieve dreams

Availability of Resources	Readily available	Needs to arrange	Provided by Entrepreneur
Constituencies Served	Upper Management and Customers	Oneself and Customers	Oneself, Customers and Organization
Competitors	No one	Other entrepreneurs outside the organisation	Within the organisation

GOVERNMENT INITIATIVES TO FOSTER ENTREPRENEURSHIP

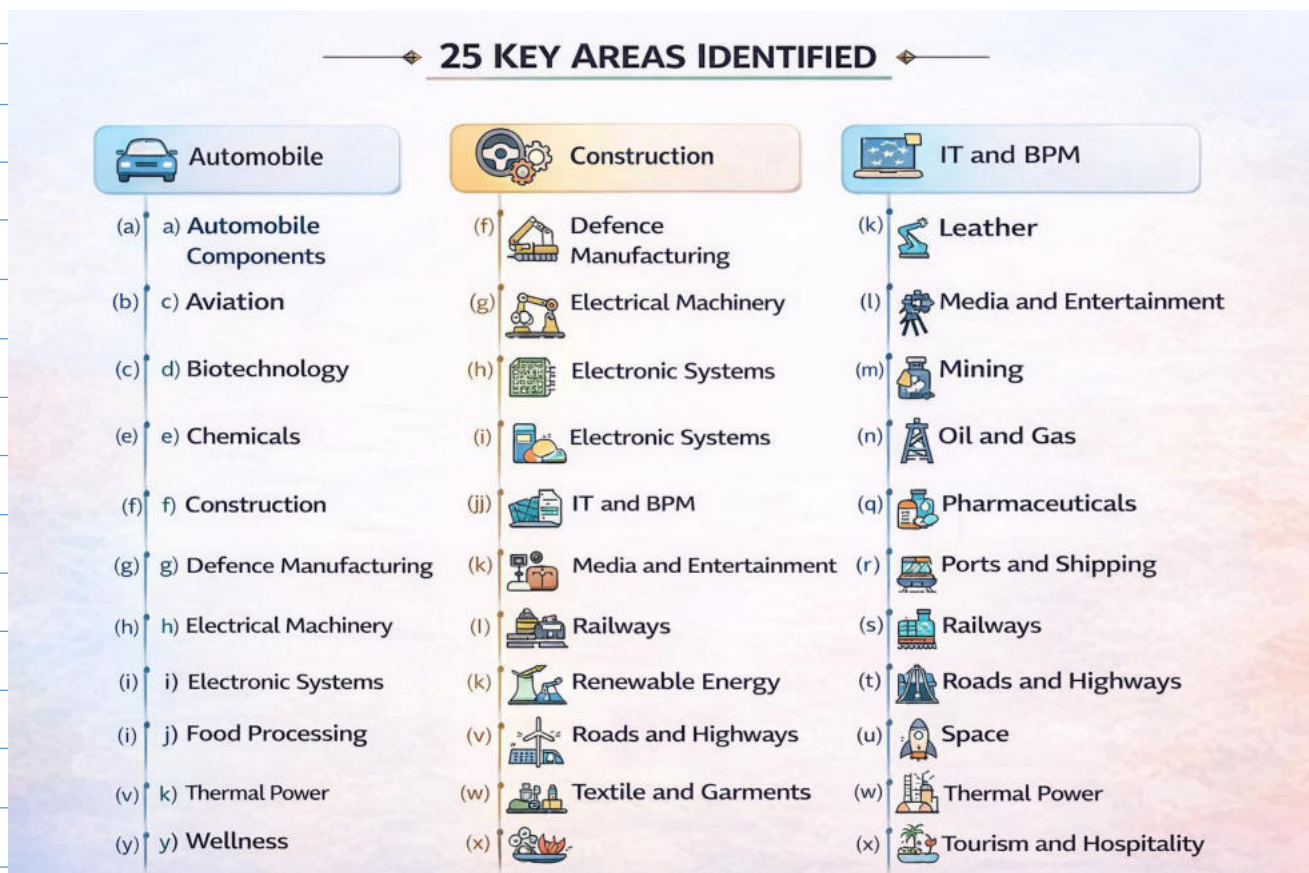
The Indian government has launched several initiatives and programs to foster entrepreneurship, promote innovation, and support the growth of startups. These initiatives aim to create a conducive ecosystem for entrepreneurs, provide them with resources, mentorship, and funding, and facilitate ease of doing business.

Few of the initiatives taken by the Government of India to strengthen entrepreneurship in India are as under:

1. **Make in India:** Businesses from across the globe, and not merely the Americas, consider Make in India as a breakthrough policy of the new India. The 'Make in India' programme was launched in September 2014 soon after the Modi Government came to power with the aim of transforming India into a global manufacturing hub and boosting entrepreneurship in the country.

Initiatives such as online business registration, single-window clearance, and digitization of government services aim to simplify procedures and reduce the burden of compliance on entrepreneurs. Make in India encourages entrepreneurship and manufacturing growth through sector-specific policies, incentives, and initiatives such as the National Manufacturing Policy, Automotive Mission Plan, Electronics Manufacturing Policies, and Textile Policy, provide targeted support and incentives to promote entrepreneurship and investment in key sectors.

As a national programme, the Make in India initiative is aimed at transforming India into a global manufacturing hub, and contained a raft of proposals to attract investments from both local and foreign corporate houses in 25 key areas it has identified, such as:



With this scheme, the government has increased the FDI limit in various industries to attract foreign investment and participation.

It has established an investor facilitation centre to assist foreign businesses to locate partners and sites, while a slew of measures have been initiated for domestic companies, which were revealed after Modi Government unveiled the 'Stand Up India' initiative in his Independence Day address in 2015.

2. Stand Up India : The key elements of the Stand-Up India scheme are as under:

(i) *Title of the Scheme :* Stand-Up India Scheme for financing SC/ST and /or Women Entrepreneurs.

- (ii) *Objective* : The objective of the Stand-Up India scheme is to facilitate bank loans between INR 10 Lakh and INR 1 crore to at least one Scheduled Caste (SC) or Scheduled Tribe (ST) borrower and at least one woman borrower per bank branch for setting up a greenfield enterprise. This enterprise may be in manufacturing, services, agri-allied activities or the trading sector in case of non-individual enterprises at least 51% of the shareholding and controlling stake should be either an SC/ST or woman entrepreneur.
- (iii) *Eligibility* : Eligibility under Stand Up India scheme are -
- (a) SC/ST and /or woman entrepreneurs, above 18 years of age.
 - (b) Loans under the scheme is available for only greenfield project. GreenField signifies, in this context, the first time venture of the beneficiary in the manufacturing or services or trading sector.
 - (c) In case of non-individual enterprises, 51% of the shareholding and controlling stakes should be held by either SC/ST and/or women entrepreneur.
 - (d) Borrower should not be in default to any bank or financial institution.
- (iv) *Nature of loan* : Composite loan (inclusive of term loan and working capital) between INR 10 Lakh upto INR 100 Lakh.
- (v) *Purpose of loan* : For setting up a new enterprise in manufacturing, services, agri-allied activities or the trading sector by SC/ST women entrepreneur.
- (vi) *Size of loan* : Composite loan of 85% of the project cost inclusive of term loan and working capital. The stipulation of the loan being expected to cover 85% of the project cost would not apply if the borrower's contribution along with convergence support from any other schemes exceeds 15% of the project cost.
- (vii) *Interest rate* : The rate of interest would be lowest applicable rate of the bank for that category (rating category) not to exceed (base rate (MCLR) + 3% + tenor premium).

- (viii) *Security*: Besides primary security, the loan may be secured by collateral security or guarantee of Credit Guarantee Fund Scheme for Stand-Up India (CGFSIL) as decided by the banks.
- (ix) *Repayment* : The loan is repayable in 7 years with a maximum moratorium period of 18 months.
- (x) *Working capital* : For drawal of working capital upto INR 10 Lakh, the same may be sanctioned by way of overdraft. Working capital limit above INR 10 Lakh to be sanctioned by way of cash credit limit.
- (xi) *Margin Money* : The scheme envisages 15% margin money which can be provided in convergence with eligible Central / State schemes. While such schemes can be drawn upon for availing admissible subsidies or for meeting margin money requirements, in all cases, the borrower shall be required to bring in minimum of 10% of the project cost as own contribution.

3. Startup India : Startup India Scheme is an initiative by the Government of India for generation of employment and wealth creation. The goal of Startup India is the development and innovation of products and services and to increase the employment rate in India. Benefits of Start-up India Scheme are Simplification of Work, Finance support, Government tenders, Networking opportunities. Startup India was launched by Prime Minister Shri. Narendra Modi on 16th January 2016.

Benefits of Startup India

- (a) *Financial benefits* - Most of the start-ups are patent based. It means they produce or provide unique goods or services. In order to register their patents, they have to incur a heavy cost which is known as the patent cost. Under this scheme, the government provides 80% rebate on the patent costs. Moreover, the process of patent registration and related is faster for them. Also, the government pays the fees of the facilitator to obtain the patent.

- (b) *Income Tax Benefits* - Start-ups enjoy a good amount of benefits under the Income Tax head. The government exempts their 3 years income tax post the incorporation year. But they can avail it only after getting a certificate from the Inter-Ministerial Board. Also, they can claim exemption from tax on capital gains if they invest money in specified funds.
- (c) *Registration Benefits* - Everyone believes that incorporation and registration of business are far more difficult than running it. It is because of the long and complex steps of registration. Under the Start-up India scheme, an application is there to facilitate registration. A single meeting is arranged at the Start-up India hub. Also, there is a single doubt and problem-solving window for them.
- (d) *Government Tenders* - Everyone seeks to acquire Government tenders because of high payments and large projects. But it is not easy to acquire the government tenders. Under this scheme, the start-ups get priority in getting government tenders. Also, they are not required to have any prior experience.
- (e) *Huge Networking Opportunities* - Networking Opportunities means the opportunity to meet with various startup stakeholders at a particular place and time. The government provides this opportunity by conducting 2 startups fests annually (both at the domestic as well as international level). Startup India scheme also provides Intellectual Property awareness workshop and awareness.

Government Initiatives to Promote Startups across India

The Government of India has taken various initiatives to promote startups across the country.

Department for Promotion of Industry and Internal Trade (DPIIT) under Ministry of Commerce and Industry

The Government with intent to build a strong ecosystem for nurturing innovation and encouraging investments launched the Startup India initiative on 16th January 2016. As per

eligibility conditions prescribed under G.S.R. notification 127 (E) dated 19th February 2019, entities are recognized as 'startups' under the Startup India initiative by the DPIIT.

For attaining specific objectives, various programs are implemented by the Government under the Startup India initiative. All the steps undertaken by the Government under the initiative are inclusive and are implemented across age-groups, States/Union Territories (UTs), cities, towns, and rural areas.

Over the past nine years, the Startup India initiative has played a pivotal role in shaping a vibrant entrepreneurial ecosystem in the country. By fostering innovation and inclusivity, it has achieved remarkable milestones that highlight its impact on India's economy and society. The number of DPIIT-recognised startups has grown from around 500 in 2016 to 1,59,157 as of January 15, 2025.

Ministry of Micro, Small & Medium Enterprises (MSME)

The Government of India has implemented a robust array of initiatives aimed at bolstering the Micro, Small, and Medium Enterprises (MSME) sector, recognizing its pivotal role in the economy. These efforts range from financial support and procurement policies to capacity building and market integration. Key initiatives include the Udyam Registration Portal, PM Vishwakarma scheme, PMEGP, SFURTI, and the Public Procurement Policy for MSEs, all aimed at fostering entrepreneurship, enhancing employment, and integrating informal sectors into the formal economy. These initiatives reflect the government's commitment to supporting MSMEs and driving inclusive economic growth nationwide.

The 'PM Vishwakarma' scheme, launched by the Government of India, aims to enhance the quality and reach of products and services by artisans and craftspeople, integrating them into domestic and global value chains. Announced in the 2023-24 Budget and launched on September 17, 2023, this scheme seeks to provide comprehensive support to Vishwakarmas, improving their socio-economic status and quality of life.

Prime Minister's Employment Generation Programme (PMEGP) is a credit linked subsidy scheme for providing employment opportunities through establishment of micro-enterprises in the non-farm sector. Under the Scheme, Margin Money (Subsidy) is provided to beneficiaries

availing loan from banks for setting up new enterprises. The maximum project cost admissible for setting up of new project is Rs. 50 lakhs in manufacturing sector and Rs. 20 lakhs in Service Sector.

Public Procurement Policy for MSMEs

The Ministry of MSME, Government of India, notified the Public Procurement Policy for Micro and Small Enterprises (MSEs) in 2012. This policy mandates that 25% of annual procurement by Central Ministries, Departments, and Central Public Sector Enterprises (CPSEs) must be sourced from MSEs. Within this 25%, 4% is reserved for MSEs owned by Scheduled Castes/Scheduled Tribes (SC/ST), and 3% is reserved for MSEs owned by women entrepreneurs. Additionally, 358 items are exclusively reserved for procurement from MSEs.

Ministry of MSME, through Khadi and Village Industries Commission (KVIC), is implementing Prime Minister's Employment Generation Programme (PMEGP) for assisting entrepreneurs in setting up of new enterprises in the non-farm sector. It aims to provide employment opportunities to traditional artisans/ rural and urban unemployed youth at their doorstep.

Skill India

Under the Government of India's Skill India Mission (SIM), the Ministry of Skill Development and Entrepreneurship (MSDE) delivers skill, re-skill and up-skill training through an extensive network of skill development centres under various schemes, viz. Pradhan Mantri Kaushal Vikas Yojana (PMKVY), Jan Shikshan Sansthan (JSS), National Apprenticeship Promotion Scheme (NAPS) and Craftsman Training Scheme (CTS) through Industrial Training Institutes (ITIs), to all the sections of the society across the country. The SIM aims at enabling youth of India to get future ready and equipped with industry relevant skills.

To promote new age skills in areas like AI/ML, Robotics and Green technology, MSDE has undertaken the following initiatives:

- (i) Under PMKVY, more than 200 new age/future skills job-roles have been specially aligned with Industry 4.0 requirements in areas like AI/ML, Robotics, EVs, Mechatronics, Drone Tech, etc. for upcoming market demand and industry requirements.

- (ii) Under NAPS, the apprentices are engaged by the establishment in trades (both, designated and optional), which includes those pertaining to new-age /future skills.
- (iii) Directorate General of Training (DGT) under aegis of MSDE has introduced 31 new age /future skills courses in Industrial Training Institutes (ITIs) and National Skill Training Institutes (NSTIs) under CTS to provide training in emerging areas such as 5G Network, AI/ML, Cyber Security, Drone Technology, etc.
- (iv) DGT has signed MoU with IT Tech companies like IBM, CISCO, Future Skill Rights Network, Amazon Web Services (AWS) and Microsoft to ensure industry linkages for the institutes at the state and regional levels under CSR initiatives. These partnerships facilitate the provision of technical and professional skills training in modern technologies.
- (v) Indian Institute of Skills (IIS) established at Ahmedabad and Mumbai, in Public Private Partnership (PPP) Mode, provide training to create a pool of industry-ready workforce for Industry 4.0, equipped with cutting-edge technology and hands-on training.
- (vi) MSDE has launched Skill India Digital Hub (SIDH) platform, a comprehensive and accessible platform for skill enhancement, offering industry-relevant skill courses, job opportunities, and entrepreneurship support to youth of the country. SIDH offers an extensive array of AI/ML, Robotics and Green tech courses.

MeitY Startup Hub (MSH)

India is home to one of the most vibrant startup ecosystems with approximate 30,000+ tech startups, making it the 3rd largest startup ecosystem in the world. The Ministry of Electronics and Information Technology (MeitY) Startup Hub (MSH) aims to foster a vibrant innovation and startup ecosystem by uniting technology innovation stakeholders and promoting economic growth through innovation and technological advancement.

It serves as a central hub, ensuring synergies among incubation centres, Centres of Excellence on Emerging Technologies, and other platforms supported by the Ministry of Electronics and Information Technology. MSH facilitates the sharing of resources, best practices, and ideas across the entire innovation and startup ecosystem.

Unicorns Startups

A unicorn is a term used to indicate a privately held startup company with a valuation of over \$1 billion. For a unicorn, the journey starts from the growth stage, they are disruptors which start out in an incredibly unique way to solve everybody problem. The reasons these startup become so successful is because all of their solutions fill a specific need in a new and different way.

The Indian startup ecosystem has developed dynamically in recent times. Two decades back, there were only few active investors and limited number of support organisations, such as incubators and accelerators. However, in the past decade. There has been a significant increase in both investment activity and infrastructure facilities to provide the much-needed impetus to the expansion of the unicorn tribe. The Indian Unicorns are flourishing in the fast-paced and dynamic economy of today. These startups are not only developing innovative solutions and technologies but are generating large-scale employment.

While we see unicorns active in Tier I cities, this ecosystem is not restricted and is proliferating across the country till the last district. Traditional sectors such as E-commerce, Fin-tech, E-commerce, Supply Chain & Logistics, Internet Software & Services do dominate the arena but a strong wave of unconventional sectors such as Content, Gaming, Hospitality, Data management & analytics, etc are making their place on the list.

BOTTLENECKS IN ENTREPRENEURIAL GROWTH

1. Inefficient time management

Most entrepreneurs think on infinite time scales, as though they have plenty of time to achieve their goals. Time is the most valuable resource, yet most entrepreneurial leaders don't use it

effectively. It is very important to analyze the business flow metrics and identify time-wasting processes. Comparing the performance with industry standards to find out the problem areas is a major challenge. Leveraging technology tools such as automation and machine learning wherever possible is very important in contemporary times.

McKinsey & Co. reported that the next era of supply chain management will hinge on autonomous vehicles and a network of smart programs that can optimize efficiency. Organisational efficiency can be increased by implementing software solutions that break through bottlenecks and boost productivity.

2. Lack of money

Inadequate funds – Less funding and the resources obtained by these funds -- can hinder expansion. When it comes to resolving bottlenecks, money matters a lot. It helps in the purchase of software programs and hire consultants who reduce the obstacles to growth and profitability. As the company expands, there is a need to scale up the technology, invest in sales enablement and direct resources to a number of other critical areas. Money is needed to achieve all of that.

Fortunately, there are a number of capital sources out there. In addition to venture capital funding, one can apply for a loan backed by the Small Business Administration. Loans repaid in less than seven years typically incur a less than 10 percent interest rate, and these loans can be used to purchase new technology or building your team with supply chain experts.

3. Too much noise

Building and running a start-up can become too complex when the entrepreneur is trying to cut through the noise generated through social media, marketing, apps and vendors. It's enough to make entrepreneurs think they need to chase down the "next big thing" and clamour for the media limelight.

But limelight doesn't guarantee success. Many companies that drew huge amounts of press and venture funding have ultimately failed. The better path is to focus on the work and trust

that attention will come. Put out a great product, and be rigorous about clearing ones path to growth. The accolades will follow, but they matter only if one can scale and thrive sustainably.

4. A small (or nonexistent) network

Being a first-time entrepreneur, with a near-nonexistent industry, developing contacts is one of the biggest challenges to overcome. A strong network is crucial to a company's growth. But strong networks aren't built through viral campaigns or flashy marketing. They develop over years through resilience, relationship-building and cultivation of a community around the idea. In Japan and China, sustainable strong networks are an integral part of the value chain and supply chain.

To build a supportive network around one's own business, the type of reach an entrepreneurship wants to have is critical. Is the brand primarily local? Thereafter, a blue print needs to be put down, roots have to be made, through partnerships and sponsorships with influencers in the region.

If the entrepreneur wants to have global appeal, there is a need to attend conferences and reach out internationally to learn how to move into other markets. The entrepreneur must become relevant to the rest of the world.

5. Growing too much too soon

With the objective of growing production, the problems also compound at the same rate. Figuring out how to scale requires frequent testing and a willingness to pivot -- the entrepreneur doesn't want to miss out on strategic opportunities. For instance, there's nothing wrong with starting small and growing slowly. It's better to take that approach than to over invest in a lacklustre strategy. One needs to pay attention and switch gears when that's needed.

6. Skill Shortages

The shortage of skilled workforce and technical expertise in specialized domains hampers the growth and competitiveness of startups, especially in technology-driven sectors. There is a need

for comprehensive skill development programs to bridge the skill gap and enhance the employability of the workforce.

7. Policy Uncertainty

Frequent changes in government policies, regulatory frameworks, and taxation norms can create uncertainty and instability for entrepreneurs, making it challenging to plan and invest for the long term. Transparent and predictable policy environments are essential for fostering entrepreneurial confidence and investment

CHAPTER 2: BUSINESS ENVIRONMENT

BUSINESS ENVIRONMENT

The term “**business environment**” refers to the totality or collection of all internal and external aspects, including people working in the company, customer demands and expectations, supply and demand, management, clients, suppliers, and owners, as well as government actions, technological innovation, social trends, market trends, and economic developments.

These elements have a direct or indirect impact on how a firm operates and performs its functions. These factors taken together have an impact on the environment and situation of businesses or corporate entities.

External factors include economic conditions, technological advancements, legal and regulatory frameworks, socio-cultural trends, and the competitive landscape, among others. Internal factors refer to elements within the company's control, such as organizational structure, resources, culture, and operational processes. Understanding the business environment is essential for businesses to anticipate changes, identify opportunities, and mitigate risks effectively, ultimately shaping their strategies for sustainable growth and success.

Business environment enhances overall performance, growth, and profitability of the business by assisting in the identification of business prospects, utilising helpful resources, and assisting in planning. Business environments come in a variety of forms, including macro and micro environments.

The key component of any firm is its environment. Suppliers, competitors, the media, the government, customers, market circumstances, investors, and numerous other entities operating on the outside all contribute to the business environment. So let's begin by learning about the business environment's basics and its significance.

DEFINITIONS OF BUSINESS ENVIRONMENT

Author	Definition	Key Points
Barry M. Richman & Melvyn Copen	Factors that are largely (if not totally) external and beyond the control of individual industrial enterprises and their management. These are the "givers" within which firms must operate in a specific country; vary from country to country .	• External • Beyond control • Country-specific variations
Keith Davis	Aggregate of all conditions, events and influences that surround and affect business .	• Total external influences • Affect on business
Bayard O. Wheeler	Total of all things external to firms and industries which affect their organisation and operation.	• External factors • Affect organisation & operations
Arthur M. Weimer	Climate or set of conditions – economic, social, political, or institutional – in which business operations are conducted.	• Set of conditions (Economic, Social, Political, Institutional) • Affect business operations
Glueck & Jauch	Factors outside the firm which can lead to opportunities or threats to the firm. Major sectors:  Supplier  Competitors  Government  Socio-economic  Technological  Supplier	• Opportunities & Threats • Key sectors: ☒ Socio-economic ☒ Supplier ☒ Technological ☐ Competitors ☐ Government

Meaning of Business Environment

Business may be understood as the organized efforts of an enterprise to supply consumers with goods and services for a profit. Businesses vary in size, as measured by the number of employees or by sales volume etc. But, all businesses share one common purpose that is to **earn profits**.

Hence, it is understood that the role of business is crucial from the point of view of individuals and national society as well. Society cannot do without business. Similarly, it requires no emphasis that business needs society as much. Modern business is dynamic.

It is **'change'** that makes the companies spend substantially on Research and development (R&D) to survive in the market.

Environment refers to all forces, which have a bearing on the functioning of business. They can be forces of economic, social, political and technological factors, apart from internal forces of the organisation.

Environment factors are largely if not totally, external and beyond the control of individual industrial enterprises and their managements. The business environment poses threats to a firm or offers immense opportunities for potential market exploitation.

The success of every business depends on adapting itself to the environment within which it functions.

For example, when there is a change in the government policies, the business has to make the necessary changes to adapt it to the new policies. Similarly, a change in the technology may render the existing products obsolete, as we have seen that the introduction of computer has replaced the typewriters; the color television has made the black and white television out of fashion.

Again a change in the fashion or customers' taste may shift the demand in the market for a particular product, e.g., the demand for jeans reduced the sale of other traditional wear.

All these aspects are external factors that are beyond the control of the business. So the business units must have to adapt themselves to these changes in order to survive and succeed in business.

IMPORTANCE OF BUSINESS ENVIRONMENT



1. Enables to Identify Business Opportunities:

Not all changes are bad. If recognised and assessed, they may contribute to a company's success. Finding a change and utilising it as a tool to address a population or business's challenges is crucial.

For instance, the Indian need for ticket booking bothered Mr. Phanindra Sama. He used to drive a long way to his travel agency to make his reservation, but even then, he wasn't sure if his seat was guaranteed. In response to the issue, he recognised a chance to create an app and joined forces with another person to create the online ticketing platform known as "redBus."

2. Helps in Tapping Useful Resources:

Utilizing the beneficial resources needed for the firm requires careful examination of the business environment. It aids the business in managing these resources and transforming them into products and services.

3. Coping with Changes:

The company needs to be aware of the constant changes in the business environment, including shifts in customer demands, new fashion trends, new government regulations, and technical advancements. The firm can implement a response to deal with those changes if it is aware of these predictable developments.

For instance, Nokia failed to adapt to the change by not incorporating Android OS into its smartphones at a time when the market for Android OS was booming and consumers were choosing Android devices for its user-friendly interface and apps. They lost a great deal of market value by failing to adapt.

4. Assistance in Planning:

This is yet another facet of how crucial the corporate environment is. Planning only refers to the future tasks that must be completed. It is up to the business to select what plan it needs to develop in order to address the future, solve the problem, or take advantage of the opportunity when the business environment offers a problem or an opportunity. The business can incorporate plans to combat the modifications for a secure future after assessing the developments that have been offered.

5. Helps in Improving Performance:

Businesses that are actively monitoring their surroundings not only adapt to the changes but also thrive in them. Adapting to external influences enables a company to increase performance and remain competitive.

6. Risk Management:

The business environment is dynamic and often unpredictable. By monitoring external factors such as economic fluctuations, regulatory changes, and technological advancements, businesses can anticipate risks and take proactive measures to minimize their impact.

7. Compliance and Governance:

Businesses operate within a complex regulatory environment. Understanding and complying with relevant laws, regulations, and industry standards are essential for avoiding legal issues, reputational damage, and financial penalties.

Features influencing business environment

1. External influences:

Every firm is impacted by a variety of external circumstances, both directly and indirectly, as was previously said. These elements can include people, governmental rules, environmental issues, as well as other enterprises and organizations.

2. Overarching Factors:

Regardless of the presence of the firm, these are aspects of society and the economy. They have an impact on all institutions. These are things like politics, the law, technology, and other things. Regardless of size or market, all businesses are impacted by general factors.

3. Specific Factors:

These are the elements that directly affect the firm, including clients, the target market, rivals, suppliers, etc. Every company has a unique set of unique elements that make up its environment.

4. The Interrelation of Factors:

The majority of elements that influence a business also influence one another. These are variables that are internal and external, particular and general.

5. Uncertain Future:

A corporate environment's future is extremely elusive to forecast. It can swiftly change because there are so many different forces at work. Although some firms are capable of making accurate predictions for the near future, the factors influencing it are unstable.

6. Constantly Changing:

The corporate environment nowadays is extremely dynamic due to the rapid changes in technology and various societal variables. This makes it very challenging to define a corporate environment. Complex Effects. The effects that the various internal and external factors have on businesses are quite complex. They may seem like a small factor at the time but have a larger impact overall, or vice versa.

7. Highly Relative:

The factors that are beneficial towards one business may be the doom of another. The relationship between factors that affect a business and the particular businesses is highly relative. But there are also factors that affect similar businesses in an equal manner.

Types of Business Environment

There are two types of Business Environment that we will be looking into, internal and external factors.



A. Internal Environment

An organization in business is defined by the forces that exist inside it. These include the managerial style, the level of machinery utilised, and the work environment. The main internal elements that influence the business environment are listed below.

1. Value Framework

This is basically the business' functional process and how the value in a business is judged. The value framework of a business defines the manner in which its employees will perform their roles. And, how their work culture will be regulated.

2. Business Path

Every company has a reason to exist and a purpose to serve. These two factors along with how the business sees itself in the future constitute the business path. These define the changes that will be enforced into the business framework.

3. Structure

The hierarchical or non-hierarchical structure of a business that defines each employee's and management's role is one of the central aspects of the internal business environment. There are various business structures such as matrix, bureaucratic, functional, etc.

4. Organizational Culture

Although undefinable in exact terms, every business has a unique culture that it adheres to. This includes the treatment of employees, resources, clients, etc.

5. Human Resources

A relatively recent idea that has taken over the business world is human resources. Human resources is responsible for managing personnel on a micro level while firms get bigger every day. As a result, it is crucial in establishing the business environment.

6. Physical Resources

Every business needs resources to function, and how these resources are managed has a significant impact on the environment inside the company.

7. Technology

A corporate environment is constantly defined by technology, both internally and externally. It is dependent on both the technology being used by the business on the inside and the technology being utilised by its rivals on the outside.

B. External Environment

A socio-economic entity is a business. As a result, society's numerous facets are fundamental to the success or failure of every organisation as well as to the environment it operates in. PESTLE is a phrase frequently used to describe elements in the external business environment. Political, economic, social, technological, legal, and environmental factors are all represented by this acronym.

1. Political Environment

From the political climate of the business' geography to the international relations it holds, every aspect of politics affects a business. Many countries have laws that facilitate some businesses, others have laws that restrict businesses. The condition of local politics and its relation to other countries highly affect the business condition.

The main components of Political Environment are:

- The Constitution of the Country.

- Political organization including the philosophy of political parties, ideology of the government, nature and extent of bureaucracy, influence of primary groups etc.
- Political stability including the structure of Military and police force, election system, Law and order situation etc.
- Image of the country and its leaders.
- Law Governing Business

2. Economic Environment

The current economic condition in most countries is highly volatile. And this is relevant to every business large and small. However, the presence of the open market has been highly beneficial towards businesses as well. Since the global economy is volatile most big business has to be careful of its impact at all times.

The main components of Economic Environment are:

- Economic system i.e., capitalist, socialist and mixed economic system.
- Economic policies such as, monetary policy, fiscal policy, supply side policy etc.
- Economic indices such as, Gross Domestic Product, Consumer Price index, Per Capita Income etc.
- Financial markets such as, share market, money market, capital market etc.
- Industrial infrastructure etc.

Examples of Economic Environment

1. **Demand/supply:** An increase in the supply and demand of goods can cause inflation. Likewise, a decrease in supply and demand can lead to a depression. Inflation, recessions, and boon periods influence consumer habits and business performance.
2. **Exchange rate:** The exchange rate influences the sales of goods on the global level.
3. **Interest rate:** Interest rates can affect borrowing costs, dictating business opportunities to finance projects.

3. Socio-cultural Environment

Every society has its unique requirements and choices. These shape regional business personas and are one of the primary external factors for all businesses worldwide. For example, let's see the current trend towards a western lifestyle throughout the world. This has led to a rise in demand for western food and fashion.

Examples of socio-cultural environment

1. **Family structure** - Nuclear families have other needs likened to joint families. This impacts firms like housing, food and education.
2. **Social class** - Upper-class clients demand luxury products, while lower classes demand cheap needs. Firms segment according to other income groups.
3. **Technological Environment**

Technology is one of the primary drivers in today's world. Businesses that are unable to match up to the current technological progress are having a hard time establishing their existence. And the businesses that are using tech to their advantage are moving ahead of their competitors. IT itself has become a leading business in the past few decades.

The main components of Technological Environment are:

- Rate of Technological change and Diffusion.
- New approaches to the production of goods and services.
- Use of New processes and equipment.
- Transfer of Foreign Technology.
- Impact of Technology on cost, quality and value chain.

Examples of the technological environment

1. New technology
2. Production strategies
3. Information and Communication Technology (ICT), such as the internet, mobile apps,
4. Innovation
5. Augmented reality (AR)
 1. Machine learning and artificial intelligence
 2. E-commerce technology

9. Robotics
10. Automation
11. Data management practices
12. Research and development

4. Legal Environment

There are laws for businesses in every country in the world and every business has to abide by these laws. So, regulations are a primary factor that every business needs to consider in its external environment. But there are also regulations that help businesses thrive.

Example: A cigarette-selling company compulsorily has to put the slogan “smoking is injurious to health” on every packaging

The main components of Legal Environment are:

- Current Legislations.
- International Legislations.
- Regulatory bodies and processes.
- Tax Regulations.
- Competitive Regulations.
- Industry Specific Regulations.

GOVERNMENT REGULATIONS.

A partial list of the legislations that concern the business enterprises in India include:

- i Companies Act, 2013
- ii Essential Commodities Act, 1955
- iii Legal Metrology Act, 2009
- iv Bureau of Indian Standards Act, 2016
- v Consumer Protection Act, 2019
- vi Environment Protection Act, 1986
- vii Competition Act, 2002
- viii SEBI Regulations Act, Rules & Regulations

- ix Sale of Goods Act, 1930
- x Laws related to Intellectual Properties Rights
- xi Industrial and Labour Laws
- xii Food Safety and Standards Act, 2006.

Besides, the above legislations, the following are also part of the legal environment of business:

i. Provisions of the Constitution:

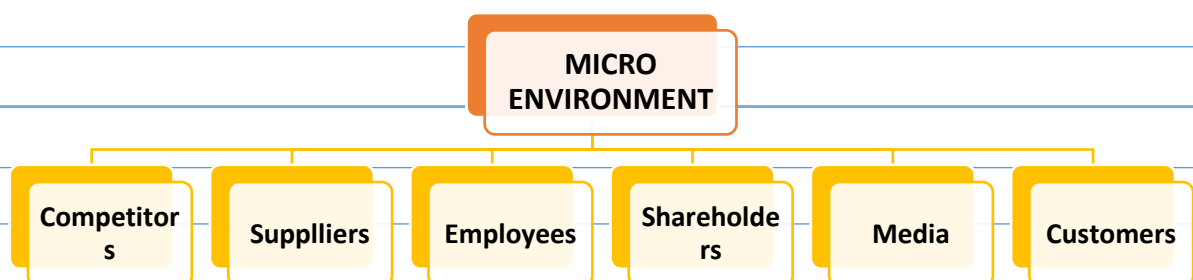
The provisions of the Articles of the Indian Constitution, particularly directive principles, rights and duties of citizens, legislative powers of the central and state governments also influence the operation of business enterprises.

ii. Judicial Decisions:

The judiciary has to ensure that the legislature and the government function in the interest of the public and act within the boundaries of the constitution. The various judgments given by the courts in different matters relating to trade and industry also influence the business activities.

MICRO ENVIRONMENT

The term “micro environment” refers to the setting that might affect day-to-day business operations that is present within an organization. It has a connection to the tiny region where the business is located. The forces that surround the company are all included in the micro environment. These elements are particular to the company at question. The short-term performance of a corporation may be impacted as a result.



ELEMENTS OF MICRO ENVIRONMENT



Customer: The customer is king in business. Every business strives to provide the highest quality goods and services at the most competitive costs. Customers are enticed with additional freebies and discounts. In every market area, keeping track of client feedback and understanding their needs is becoming more and more crucial. With such a tactical approach, any company may win over the hearts of their clients and generate financial profits as a result. In other words, the majority of companies operate largely to fulfill the demands and desires of their clients. The goal of the business is to please customers while making money.

Competitors: Any business faces intense rivalry due to the enormous number of rivals in the same industry. As a result, you need to have a strategy for dealing with the opposition. It will let you gain control of monopolies and prosper in any business segment. To differentiate your product from others on the market, it needs not only have the USP but also the UPB. An essential aspect of the competitive environment that any organization must comprehend is the need to stand out from the crowd. Regardless of how large a company is, monopolies do not exist in the commercial world.

Employees: Before conquering the market, it is essential to win the workplace. Any organization's workforce has a significant impact on both the micro and macro business settings. The number of workers has a direct impact on output rate. They so determine the success or failure of any organisation directly. Every successful company strives to consistently improve and train each employee's skills. Additionally, an organisation never stops praising talent that inspires and motivates workers. The market is much larger than the sum of its consumers. Therefore, the company needs engage the best employees to assess the market's current size, development potential, and attractiveness.

Shareholder: Any firm, whether little or huge, needs money and capital to establish themselves and develop. Investors called shareholders to donate money to the business. Shareholders now own the company's shares, i.e., they invest in the firm, and in exchange, the corporation distributes profits to its shareholders. Thus, the appropriate equation between any organisation and its shareholders is established.

Shareholders are the owners of the corporation in addition to being investors. They are, in a sense, the owners of the company because they have equity in it. This suggests that they have some influence over how a company is run.

Suppliers: A supplier is a business that offers the raw materials and other inputs needed for the mass production of goods. Any successful business has a close, mutually beneficial connection with its suppliers. As a result, both entities profit from the positive and cooperative connection. The situation where a company runs out of raw materials and the entire manufacturing and supply process is delayed can also be used to understand it.

Media: The media is an effective tool for promoting any brand's goods and services. The direct consumer contact concept is practical. Consequently, maintaining a cordial relationship with the media is equally essential. Any unfavourable comments or press coverage could severely harm the brand's reputation in addition to causing financial losses. In order to use the power of the media for the promotion and growth of a business, organisations recruit experts like PR managers. If you were to own a business, for instance, you would require media in order to promote your name and sell your products.

TRADE AND AUXILIARIES TO TRADE

Buying and selling of goods and services with the aim of earning profits is known as Trade. It is one of the most essential parts of commerce. It enables to make the goods available to the consumers or users. These days goods are manufactured on a large scale and it is very difficult for the producers to reach the consumers by themselves. Middlemen serve as a link between the producers and consumers by making the goods available to them. In the absence of trade, both producers and consumers will have to search for each other, and it would not be possible to carry on business on a large scale. Trade can be carried out on small scale, like in the case of Hawkers and small shops, or large scale, like Departmental stores. Trade may be classified on the basis of the geographical area into two bases:

a) **Internal Trade:** Internal trade is concerned with buying and selling of goods and services within the geographical boundaries of a nation. It is also known as home trade or domestic trade. Here, both buyers and sellers belong to the same country. Internal trade may be further classified into two parts- Wholesale trade and Retail trade.

(i) **Wholesale trade:** Wholesale trade involves buying and selling of goods in large quantities or in bulk. Wholesaler buys goods directly from the manufacturer in large quantities and sells them in relatively less quantities to retailers. Wholesaler serves as an important link between manufacturers and retailers, and maintain large stock of goods.

(ii) **Retail Trade:** It involves buying goods in small quantities from the wholesalers and selling them to the final for final consumption is known as retail trade. A retailer serves a link between the wholesaler, manufacturers and consumers. They maintain direct contact with the customers and provide feedback to the wholesalers about the likings and disliking of the customers.

b) **External Trade:** External or foreign trade consists of the exchange of goods and services between persons or organizations operating in two or more countries. It is also known as foreign trade or international trade. External trade is further divided in three parts:

- a. **Import trade:** When goods are purchased from another country, it is known as import trade. For example, India imports crude oil from the Middle-east countries.
- b. **Export Trade:** When goods are sold to other country, it is known as export trade. For example, India exports cereals, spices and other products to USA.
- c. **Entrepot trade:** When goods are imported from a country for purpose of exporting it to another country, it is known as entrepot. For example, India imports many commodities from European countries to export them to Nepal.

Auxiliaries to Trade

Commerce, the intricate web of economic activities that involves the exchange of goods and services, forms the backbone of any modern society. To keep this wheel turning smoothly, a range of support services and processes come into play, collectively known as "Auxiliaries to Trade."

These auxiliaries are like the invisible hands that facilitate the flow of goods and services, ensuring efficiency, transparency, and reliability in the marketplace. Auxiliaries to trade encompass diverse services and activities that do not directly involve producing or exchanging goods but play a pivotal role in facilitating trade transactions. These services act as intermediaries, smoothing out the complexities of commerce and enabling businesses to focus on their core activities.

From ensuring the safe passage of goods across continents to providing financial stability and fostering brand recognition, these auxiliaries play a critical role in shaping the business world. The interplay between these services creates a harmonious ecosystem where trade can thrive, benefiting businesses and consumers.

The concept of auxiliaries to trade can be best understood by categorizing them into several key components:

- a. **Transportation and Logistics:** Efficient transportation and logistics are essential for moving goods from manufacturers to consumers. This includes various modes of transportation like

road, rail, air, and sea. Additionally, logistics services involve warehousing, packaging, and distribution. Without these auxiliaries, the global supply chain would grind to a halt. For example, companies like FedEx, UPS, and DHL provide critical logistical support to ensure packages reach their destinations swiftly and securely.

- b. **Insurance:** Risk is an inherent part of trade, and insurance is a safety net. Marine insurance, cargo insurance, and liability insurance protect businesses from potential losses due to accidents, theft, damage, or unforeseen events while transporting goods.
- c. **Banking and Finance:** Financial institutions play a vital role in trade by providing letters of credit, trade finance, and currency exchange services. Letters of credit ensure payment to the exporter upon meeting specified conditions, minimizing risk for both parties.
- d. **Communication and Information Services:** In the digital age, communication and information services are indispensable auxiliaries. Effective communication between buyers, sellers, and intermediaries ensures smooth trade transactions. Online platforms like Alibaba and Amazon have revolutionized trade by connecting buyers and sellers worldwide.
- e. **Advertising and Marketing:** Creating awareness about products and services is crucial for trade success. Advertising and marketing agencies help businesses reach their target audiences, influencing purchasing decisions. Brands like Coca-Cola and Apple owe a significant portion of their success to effective advertising strategies.
- f. **Legal and Regulatory Support:** Navigating the complex legal and regulatory landscape is essential for international trade. Legal experts provide guidance on contracts, intellectual property rights, import/ export regulations, and dispute resolution. Law firms like Baker McKenzie specialize in international trade law.
- g. **Market Research and Analysis:** Understanding market trends and consumer preferences is essential for making informed business decisions.

Market research firms collect and analyze data to provide insights into potential opportunities and threats. Nielsen and MarketResearch.com are examples of companies offering such services.

Significance of Auxiliaries to Trade

The auxiliaries to trade perform multifaceted functions that contribute to the efficient functioning of the global economy. Their significance can be highlighted through the following points:

- i) **Risk Management:** Trade involves inherent risks, from damage during transportation to fluctuating currency values. Insurance and financial services mitigate these risks, giving businesses the confidence to engage in international trade without fearing substantial losses.
- ii) **Efficiency and Speed:** Transportation and logistics services ensure that goods reach their destinations promptly and efficiently. This efficiency is vital for perishable goods, such as fruits and vegetables, and industries with just-in-time manufacturing processes.
- iii) **Global Connectivity:** Communication and information services bridge the geographical gap between buyers and sellers, enabling them to interact and transact regardless of physical location. This global connectivity expands market reach and opportunities for businesses.
- iv) **Legal Compliance:** International trade involves navigating complex regulations and legal requirements. Legal and regulatory support ensures that businesses remain compliant with international laws, avoiding legal disputes and barriers to trade.
- v) **Informed Decision-Making:** Market research and analysis provide valuable insights that guide businesses in making informed decisions. Understanding consumer behavior and market trends enables companies to tailor their products and strategies accordingly.
- vi) **Sustainable Growth:** Advertising and marketing services contribute to brand building and consumer awareness. This, in turn, drives demand for products and services, fostering sustainable business growth.

Examples of Auxiliaries to Trade

Example 1: The Role of Logistics and Transportation

Consider a multinational electronics company that manufactures smartphones in Asia and sells them in North America. The company relies on an intricate network of transportation and logistics providers to ensure timely delivery and minimize costs. Ships carry bulk shipments across oceans, while cargo planes expedite high-demand deliveries. Additionally, warehousing and distribution centres are strategically located to efficiently reach local markets. The company's success relies on the quality of its products and the seamless coordination of transportation services.

Example 2: International Trade Financing

A small artisanal coffee producer in South America receives an order from a European distributor. However, the producer faces cash flow challenges due to the time gap between shipping and payment receipt. In this scenario, a bank can provide trade financing by offering a letter of credit. This financial instrument ensures that the producer receives payment upon meeting the specified conditions, alleviating non-payment risk and enabling the producer to fulfill the order without financial strain.

Example 3: Market Research and Branding

A fashion retailer aiming to expand its presence in a new market leverages market research services to understand local preferences and trends. Armed with this knowledge, the retailer tailors its product offerings to suit the local taste, ensuring higher chances of success. Additionally, an advertising agency assists in creating a culturally relevant marketing campaign that resonates with the target audience, boosting brand visibility and engagement.

EASE OF DOING BUSINESS

1. WORLD BANK – DOING BUSINESS REPORT

World Bank's annual assessment of Ease of Doing Business.

The World Bank conducted an annual assessment of economies ranking them on how easy it is to do business in a country based on certain parameters which span over the business lifecycle, published as the Doing Business Report (DBR). The inaugural Doing Business Report, which was released in 2003, encompassed 133 economies and five indicator sets. The final analysis, which was published in 2019, included 190 economies and 10 indicator sets.

Through the collective efforts of DPIIT and other Government departments, India saw a meteoric rise of 79 ranks from 142nd in 2014 to 63rd in 2019 in World Bank ratings for 'ease of doing businesses'.

The World Bank Group is now developing a new project to measure the business enabling environment in economies internationally. The project called Business Enabling Environment (BEE) would be a new benchmarking exercise currently under development in the Development Economics Global Indicators Group. BEE will provide a quantitative assessment of the business environment for private sector development, published annually and covering most economies worldwide. BEE data and the summary report will aim to advocate for policy reform, inform specific policy advice, and provide data for development policy research. Through its focus on private sector development, BEE will effectively contribute to meeting the twin goals of the World Bank Group (WBG) of eliminating poverty and boosting shared prosperity.

2. BUSINESS REFORMS ACTION PLAN

A sub-national exercise to assess State/UTs based on the reforms undertaken by them regarding Ease of Doing Business and Ease of Living.

A unique exercise of sub-national ranking was taken up by DPIIT for which the Business Reform Action Plan (BRAP) framework was developed. BRAP is an annual assessment of States & Union Territories (UTs) on their efforts towards Ease of Doing Business. BRAP involves a prescriptive reform action plan for States/UTs. Annual BRAP is prepared by DPIIT in consultation with States/UTs and industry associations which is shared with States/UTs for implementation. DPIIT conducts a detailed capacity building exercise for States wherein efforts are made to cover various reform areas and explain the objectives behind such reforms helping States/UTs in effective implementation of reforms.

The BRAP portal is designed such that the status of implementation of reforms is visible to each State & UT, effectively promoting competitive federalism amongst them. This also allows transparency and fairness in the assessment exercise.

3. Reducing Compliance Burden

An initiative aimed at simplifying and rationalization compliances, decriminalization of minor civil offences and removal of redundant laws.

An exercise of Reducing Compliance Burden (RCB) on businesses and citizens is also being carried out by the Government of India. DPIIT has adopted a synchronized approach to closely interact, liaison and monitor progress of reforms implementation across all Central Ministries/ Departments and States/UTs. A 4- pronged strategy has been followed for compliance reduction i.e., Simplification, Digitalization, Decriminalization and Elimination of Redundant Laws. Assessment of various compliances and provisions under multiple Acts/Rules have been conducted by Central Ministries/ Departments and States/UTs to identify and reduce burdensome compliances.

4. Cost of Regulation

An Original enterprise with an objective of measurement of the regulatory burden calculation based on the policies at Central and State level.

Measuring the cost of regulation (CoR) is now the focal point of reforms. The aim is to identify the common costs across sectors and suggest means to reduce the cost of regulations, which will improve the productivity of businesses, help the economy gear up for growth and result in job creation.

A “Cost of Regulation” framework being Developed by DPIIT, proposes to calculate regulatory burden in terms of time and cost to businesses related to policies at Central and State level. The framework entails those regulations that contain information obligations, certification, and documentation requirements and otherwise impact businesses in a significant way. The framework has five components that measure the overall cost of regulations, namely Time Cost, Substantive Cost, Intermediary Cost, Delay Cost and Statutory Cost.

5. National Single Window System

A Single Window digital platform for all Central and State department approvals.

The National Single Window System (NSWS) is a one stop digital portal to Explore, Apply, Track and Get all your business approvals. The portal currently has details of approvals across 32 Central Ministries / Departments and 32 States / UTs. You can use the Know Your Approval Module to get the list of approvals required to start your business in India. You can also apply for special schemes like the Vehicle Scrapping Scheme, Ethanol Blended programme, National Program on High-Efficiency Solar PV Modules under PLI Scheme and the Indian Footwear & Leather Development Program.

6. One District One Product (ODOP)

The ODOP Initiative is aimed at manifesting the vision of the Hon'ble Prime Minister of India to foster balanced regional development across all districts of the country. The idea is to select, brand, and promote One Product from each District (One District – One Product) of the country for enabling holistic socio-economic growth across all regions. The product lists have been signed off by each of the States/UTs with Principal Secretary, Industries/ MSME as the nodal department.

Decriminalizing the Offences

The Central Government has taken various steps for decriminalizing the offences under different laws in the country. The decriminalization has taken place for various laws including Companies Act, 2013, Limited Liability Partnership Act, 2008 and Labour Codes. Further, through Jan Vishwas (Amendment of Provisions) Act, 2023, one hundred eighty three (183) provisions of Forty Two (42) legislations have been amended to decriminalize the offences. These legislations includes Information Technology Act, 2000, Copyright Act, 1957, Trade Marks Act, 1999 and Prevention of Money-laundering Act, 2002, to name a few.

Further, the Government is also expanding the reforms and have already initiated the amendments to 16 Central Acts to further decriminalize through Jan Vishwas (Amendment of Provisions) initiative.

CHAPTER 3: KEY GOVERNMENT INSTITUTIONS

NITI AAYOG



Objectives

- To evolve a shared vision of national development priorities, sectors and strategies with the active involvement of States.
- To foster cooperative federalism through structured support initiatives and mechanisms with the States on a continuous basis, recognizing that strong States make a strong nation.
- To develop mechanisms to formulate credible plans at the village level and aggregate these progressively at higher levels of government.
- To ensure, on areas that are specifically referred to it, that the interests of national security are incorporated in economic strategy and policy.
- To pay special attention to the sections of our society that may be at risk of not benefiting adequately from economic progress.
- To design strategic and long term policy and programme frameworks and initiatives, and monitor their progress and their efficacy. The lessons learnt through monitoring and feedback will be used for making innovative improvements, including necessary mid-course corrections.
- To provide advice and encourage partnerships between key stakeholders and national and international like-minded Think tanks, as well as educational and policy research institutions.
- To create a knowledge, innovation and entrepreneurial support system through a collaborative community of national and international experts, practitioners and other partners.

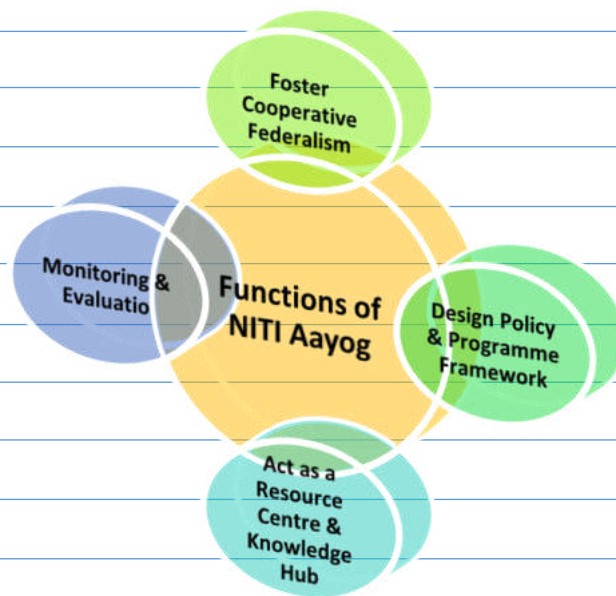
- To offer a platform for resolution of inter-sectoral and inter-departmental issues in order to accelerate the implementation of the development agenda.
- To maintain a state-of-the-art Resource Centre, be a repository of research on good governance and best practices in sustainable and equitable development as well as help their dissemination to stakeholders.
- To actively monitor and evaluate the implementation of programmes and initiatives, including the identification of the needed resources so as to strengthen the probability of success and scope of delivery.
- To focus on technology upgradation and capacity building for implementation of programmes and initiatives.
- To undertake other activities as may be necessary in order to further the execution of the national development agenda, and the objectives mentioned above.

Features

NITI Aayog is developing itself as a State-of-the-art Resource Centre, with the necessary resources, knowledge and skills, that will enable it to act with speed, promote research and innovation, provide strategic policy vision for the government, and deal with contingent issues.

NITI Aayog's entire gamut of activities can be divided into four main heads:

1. Design Policy & Programme Framework
2. Foster Cooperative Federalism
3. Monitoring & Evaluation
4. Think Tank and Knowledge & Innovation Hub



NITI Aayog is based on the 7 pillars of effective governance –

- (1) Pro-People
- (2) Pro-Activity
- (3) Participation
- (4) Empowering
- (5) Inclusion of all
- (6) Equality
- (7) Transparency.

SDG (Sustainable Development Goal) Vertical

Vision and Mission

The SDG Vertical, in collaboration with Union Ministries and States/ UTs, is the nodal agency for coordinating and monitoring the Sustainable Development Goals. Through the approach of cooperative and competitive federalism, the Vertical works towards accelerated adoption, implementation, and monitoring of the SDG framework and related initiatives at the national and sub-national levels.

The Vertical works closely with key stakeholders—including the Government, civil society, private sector, academia, think tanks, research organisations, and multilateral organisations—to fast-track the achievement of SDGs in the country.

Core Functions

Progress Monitoring

Monitoring progress achieved under the SDG framework at the global, national, and sub-national levels is the core function of the Vertical. NITI Aayog prepares and presents India's Voluntary National Review (VNR) at the High-Level Political Forum (HLPF) on Sustainable Development at the United Nations. For national and subnational progress monitoring, the Vertical has developed the SDG India Index and Dashboard, the official and principal SDG progress monitoring tool of the country.

SDG Localisation

The States and UTs play a pivotal role in the achievement of SDG targets at the national level. The Vertical works closely with the State/UT Governments and supports them in a range of initiatives for SDG localisation – including the State and District Indicator Frameworks, review mechanisms, and capacity building.

Private Sector Engagement

The targets under the SDG framework are not meant to be achieved by Government action alone. It requires commitment and solid action by the private sector. The Vertical drives initiatives to improve the participation of the private sector in SDG efforts. Key collaborative outputs in this area include SDG Investor Map and private sector integration for SDGs.

SDG Costing and Financing

Estimating the cost to achieve the SDGs and developing and implementing the tools to attract SDG-related finance and investments are key requirements for the timely achievement of the ambitious targets under the SDG framework. The initiatives of the SDG Vertical in this area include SDG costing exercise for key SDGs and an online platform to facilitate SDG-linked investments.

Multidimensional Poverty Measurement and Reduction

The SDG framework specifically targets ending poverty in all its forms, thereby raising the stakes on accelerated multidimensional poverty reduction. The Vertical steers the development

of India's national Multidimensional Poverty Index (MPI) and the reform action plan to reduce multidimensional poverty.

The different verticals of NITI provide the requisite coordination and support framework for NITI to carry out its mandate. The list of verticals is as below:

1. Administration
2. Agriculture and allied sectors
3. Data Management and Analysis, and Frontier Techniques
4. E-Mobility
5. Energy
6. Education
7. Economics and Finance Cell
8. Governance and Research
9. Governing Council Secretariat and Coordination
10. Health and Family Welfare
11. Industry-I
12. Industry-II
13. Infrastructure Connectivity
14. Managing Urbanisation
15. MSME
16. Natural Resources and Environment, and Island Development
17. NGO Darpan
18. Project Appraisal and Management Division
19. Public-Private Partnerships
20. Rural Development
21. Science and Technology
22. Social Development Division
23. Skill Development, Labour and Employment
24. State Finances and Coordination
25. Sustainable Development Goals
26. Tourism and Culture

27. Water and Land Resources
28. Women and Child Development

PROJECT SATH-E

Project SATH-E, 'Sustainable Action for Transforming Human Capital-Education', was launched in 2017 to identify and build three 'role model' States for the school education sector. After an elaborate selection process, Jharkhand, Odisha and Madhya Pradesh were chosen.

The first phase of SATH-E was completed in March 2020. Significant strides were made in learning enhancement programmes (remediation), governance reforms, teacher training, recruitment, assessment and accountability, school consolidation, IT-enabled monitoring of schools, coaching of academic coordinators (BRCs/CRCs), among others.

A few of the achievements are as follows:

- 1. Learning enhancement programme/remedial teaching with workbook support for approximately 2.3 crore students implemented.*
- 2. Academic monitoring of schools and students streamlined, with nearly 1.5 lakh inspections carried out every month.*
- 3. Comprehensive rewards and recognition programmes, including external certifications, initiated.*
- 4. Assessment reforms, including spot testing and learning tracking formats, introduced.*
- 5. Multiple rounds of teacher training undertaken.*
- 6. In Madhya Pradesh, 30% of the students moved from lower-level foundational literacy, numeracy learning cohorts to the highest learning level for grades 3-8 in two years of the 'Dakshta Unnayan' learning enhancement programme.*
- 7. In Odisha, average improvement of 10-15% observed in learning outcomes due to the 'Ujjwal- Utthan' learning enhancement programme.*
- 8. In Jharkhand, 12% improvement across most competencies was recorded through the 'Gyan Setu' learning enhancement programme.*
- 9. With the onset of the Covid-19 pandemic, SATH-E adapted itself as 'Digi-SATH' to provide undeterred support via digital mediums.*

10. Under the Digi-SATH initiative, MP's 'Hamara Ghar Hamara Vidyalaya' and 'Digi-LEP' (or 'Digital Learning Enhancement Programme'), Odisha's 'Shiksha Sanjog' and 'Shiksha Sampark', and Jharkhand's 'Hamara Doordarshan Hamara Vidyalaya' have been providing online education and teacher training.

MINISTRY OF CORPORATE AFFAIRS

The Ministry is primarily concerned with the administration of the Companies Act 2013, the Companies Act 1956, the Limited Liability Partnership Act, 2008 & other allied Acts and rules & regulations framed thereunder mainly for regulating the functioning of the corporate sector in accordance with law. The Ministry is also responsible for administering the Competition Act, 2002 to prevent practices having an adverse effect on competition, to promote and sustain competition in markets, to protect the interests of consumers through the commission set up under the Act. Besides, it exercises supervision over the three professional bodies, namely, Institute of Chartered Accountants of India (ICAI), Institute of Company Secretaries of India (ICSI) and the Institute of Cost Accountants of India (ICAI) which are constituted under three separate Acts of the Parliament for proper and orderly growth of the professions concerned. The Ministry also has the responsibility of carrying out the functions of the Central Government relating to administration of Partnership Act, 1932, the Companies (Donations to National Funds) Act, 1951 and Societies Registration Act, 1980.

The affiliated offices of Ministry of Corporate Affairs are as under:

- **Serious Fraud Investigation Office :** The Government in the backdrop of major failure of non-banking financial institutions, phenomenon of vanishing companies, plantation companies and the recent stock market scam had decided to set up Serious Fraud Investigation Office (SFIO), a multi-disciplinary organization to investigate corporate frauds. The Organization has been established and it has started functioning since 1st October, 2003.
- **Competition Commission of India :** The Competition Commission of India (CCI) was established under the Competition Act, 2002 for the administration, implementation and

enforcement of the Act, and was duly constituted in March 2009. The following are the objectives of the Commission.

1. To prevent practices having adverse effect on competition
2. To promote and sustain competition in markets
3. To protect the interests of consumers and
4. To ensure freedom of trade.

Consequent upon a challenge to certain provisions of the Act and the observations of the Hon'ble Supreme Court, the Act was amended by the Competition (Amendment) Act, 2007. The Monopolies and Restrictive Trade Practices Act, 1969 [MRTP Act] repealed and is replaced by the Competition Act, 2002, with effect from 01st September, 2009 [Notification Dated 28th August, 2009].

- **Indian Institute Of Corporate Affairs :** IICA has been established by the Indian Ministry of Corporate Affairs for capacity building and training in various subjects and matters relevant to corporate regulation and governance such as corporate and competition law, accounting and auditing issues, compliance management, corporate governance, business sustainability through environmental sensitivity and social responsibility, e-Governance and enforcement etc.

One of the wings of IICA, the ICLS Academy, has the responsibility for conducting the Induction & Advanced Training for Probationary Officers (POs) belonging to the Indian Corporate Law Service recruited through the Common Exam of Civil Services Examination conducted by UPSC.

The Institute has been designed with an eye on the future to provide a platform for dialogue, interaction and partnership between governments, corporate, investors, civil society, professionals, academicians and other stakeholders in the emerging 21st century.

SECURITIES AND EXCHANGE BOARD OF INDIA



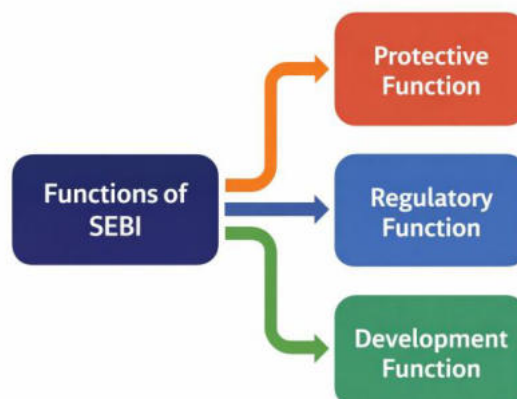
Securities and Exchange Board of India (SEBI) is a statutory regulatory body entrusted with the responsibility to regulate the Indian capital markets. It monitors and regulates the securities market and protects the interests of the investors by enforcing certain rules and regulations. SEBI was founded on April 12, 1992, under the SEBI Act, 1992. Headquartered in Mumbai, India, SEBI has regional offices in New Delhi, Chennai, Kolkata and Ahmadabad along with other local regional offices across prominent cities in India.

The objective of SEBI is to ensure that the Indian capital market works in a systematic manner and provide investors with a transparent environment for their investment. To put it simply, the primary reason for setting up SEBI was to prevent malpractices in the capital market of India and promote the development of the capital markets.

The Preamble of the Securities and Exchange Board of India describes the basic functions of the Securities and Exchange Board of India as:

“...to protect the interests of investors in securities and to promote the development of, and to regulate the securities market and for matters connected therewith or incidental thereto.”

Functions of SEBI



The aforesaid functions of SEBI are discussed briefly as under:

PROTECTIVE FUNCTION

The protective function implies the role that SEBI plays in protecting the investor interest and also that of other financial participants. The protective function includes the following activities.

- *Prohibits insider trading* : Insider trading is the act of buying or selling of the securities by the insiders of a company, which includes the directors, employees and promoters. To prevent such trading SEBI has barred the companies to purchase their own shares from the secondary market.
- *Check price rigging* : Price rigging is the act of causing unnatural fluctuations in the price of securities by either increasing or decreasing the market price of the stocks that leads to unexpected losses for the investors. SEBI maintains strict watch in order to prevent such malpractices.
- *Promoting fair practices* : SEBI promotes fair trade practice and works towards prohibiting fraudulent activities related to trading of securities.
- *Financial education provider* : SEBI educates the investors by conducting online and offline sessions that provide information related to market insights and also on money management.

REGULATORY FUNCTION:

Regulatory functions involve establishment of rules and regulations for the financial intermediaries along with corporates that helps in efficient management of the market.

The following are some of the regulatory functions.

- SEBI has defined the rules and regulations and formed guidelines and code of conduct that should be followed by the corporates as well as the financial intermediaries.
- Regulating the process of taking over of a company.
- Conducting inquiries and audit of stock exchanges.
- Regulates the working of stock brokers, merchant brokers.

DEVELOPMENTAL FUNCTION

Developmental function refers to the steps taken by SEBI in order to provide the investors with a knowledge of the trading and market function. The following activities are included as part of developmental function.

- Training of intermediaries who are a part of the security market.
- Introduction of trading through electronic means or through the internet by the help of registered stock brokers.
- By making the underwriting an optional system in order to reduce cost of issue.

Powers of SEBI

Securities and Exchange Board of India has the following three powers:

Quasi-Judicial : With this authority, SEBI can conduct hearings and pass ruling judgements in cases of unethical and fraudulent trade practices. This ensures transparency, fairness, accountability and reliability in the capital market. SEBI PACL case is an example of this power.

Quasi-Legislative : Powers under this segment allow SEBI to draft rules and regulations for the protection of the interests of the investor. One such regulation is SEBI LODR (Listing Obligation and Disclosure Requirements). It aims at consolidating and streamlining the provisions of existing listing agreements for several segments of the financial market like equity shares. This type of regulation formulated by SEBI aims to keep any malpractice and fraudulent trading activities at bay.

Quasi-Executive : SEBI is authorised to file a case against anyone who violates its rules and regulation. It is empowered to inspect account books and other documents as well if it finds traces of any suspicious activity.

RESERVE BANK OF INDIA (RBI)



The Reserve Bank of India was established on April 1, 1935 in accordance with the provisions of the Reserve Bank of India Act, 1934. The Central Office of the Reserve Bank was initially established in Calcutta but was permanently moved to Mumbai in 1937.

The Central Office is where the Governor sits and where policies are formulated.

Though originally privately owned, since nationalisation in 1949, the Reserve Bank is fully owned by the Government of India.

The Preamble of the Reserve Bank of India describes the basic functions of the Reserve Bank as:

“to regulate the issue of Bank notes and keeping of reserves with a view to securing monetary stability in India and generally to operate the currency and credit system of the country to its advantage; to have a modern monetary policy framework to meet the challenge of an increasingly complex economy, to maintain price stability while keeping in mind the objective of growth.”

Main Functions of RBI

Monetary Authority: Formulates, implements and monitors the monetary policy.

Objective: maintaining price stability while keeping in mind the objective of growth.

Regulator and supervisor of the financial system

- Prescribes broad parameters of banking operations within which the country's banking and financial system functions.
- Objective: maintain public confidence in the system, protect depositors' interest and provide cost effective banking services to the public.

Manager of Foreign Exchange

Manages the Foreign Exchange Management Act, 1999.

Objective: to facilitate external trade and payment and promote orderly development and maintenance of foreign exchange market in India.

Issuer of currency

Issues and exchanges or destroys currency and coins not fit for circulation.

Objective: to give the public an adequate quantity of supplies of currency notes and coins of good quality.

Developmental role

Performs a wide range of promotional functions to support national objectives.

Regulator and Supervisor of Payment and Settlement Systems

- Introduces and upgrades safe and efficient modes of payment systems in the country to meet the requirements of the public at large.
- Objective: maintain public confidence in payment and settlement system

Related Functions

- Banker to the Government: performs merchant banking function for the central and the state governments; also acts as their banker.
- Banker to banks: maintains banking accounts of all scheduled banks.

Other Significant Facts : Has 27 regional offices, most of them in state capitals and 04 Sub-offices.

- Deposit Insurance and Credit Guarantee Corporation of India (DICGC), Bharatiya Reserve Bank

Note : Mudran Private Limited (BRBNMPL), Reserve Bank Information Technology Private Limited (ReBIT), Indian Financial Technology and Allied Services (IFTAS) are fully owned subsidiaries of Reserve Bank of India.

- Has six training establishments- Three, namely, RBI Academy, College of Agricultural Banking and Reserve Bank of India Staff College are part of the Reserve Bank.

Others are autonomous, such as, National Institute for Bank Management, Indira Gandhi Institute for Development Research (IGIDR), Institute for Development and Research in Banking Technology (IDRBT)

INSOLVENCY AND BANKRUPTCY BOARD OF INDIA (IBBI)



सत्यमेव जयते

भारतीय दिवाला और शोधन अक्षमता बोर्ड

Insolvency and Bankruptcy Board of India

The Insolvency and Bankruptcy Board of India was established on 1st October, 2016 under the Insolvency and Bankruptcy Code, 2016 (Code).

It is a key pillar of the ecosystem responsible for implementation of the Code that consolidates and amends the laws relating to reorganization and insolvency resolution of corporate persons, partnership firms and individuals in a time bound manner for maximization of the value of assets of such persons, to promote entrepreneurship, availability of credit and balance the interests of all the stakeholders.

It is a unique regulator: regulates a profession as well as processes. It has regulatory oversight over the Insolvency Professionals, Insolvency Professional Agencies, Insolvency Professional

Entities and Information Utilities. It writes and enforces rules for processes, namely, corporate insolvency resolution, corporate liquidation, individual insolvency resolution and individual bankruptcy under the Code. It has been tasked to promote the development of, and regulate, the working and practices of, insolvency professionals, insolvency professional agencies and information utilities and other institutions, in furtherance of the purposes of the Code. It has also been designated as the 'Authority' under the Companies (Registered Valuers and Valuation Rules), 2017 for regulation and development of the profession of valuers in the country.

NATIONAL COMPANY LAW TRIBUNAL (NCLT)



The Central Government has constituted National Company Law Tribunal (NCLT) under section 408 of the Companies Act, 2013 (18 of 2013) w.e.f. 01st June 2016. In the first phase the Ministry of Corporate Affairs has set up eleven Benches, one Principal Bench at New Delhi and ten other Benches at New Delhi, Ahmedabad, Allahabad, Bengaluru, Chandigarh, Chennai, Guwahati, Hyderabad, Kolkata and Mumbai. These Benches are headed by the President Chief Justice (Retd.) Ramalingam Sudhakar and comprises of sixteen Judicial Members and nine Technical Members at different locations. Subsequently, more Benches at Cuttack, Jaipur, Kochi, Amravati, and Indore have been setup and new members have joined.

NATIONAL COMPANY LAW APPELLATE TRIBUNAL (NCLAT)

National Company Law Appellate Tribunal (NCLAT) was constituted under Section 410 of the Companies Act, 2013 for hearing appeals against the orders of National Company Law Tribunal(s) (NCLT), with effect from 1st June, 2016.

NCLAT is also the Appellate Tribunal for hearing appeals against the orders passed by NCLT(s) under Section 61 of the Insolvency and Bankruptcy Code, 2016 (IBC), with effect from 1st December, 2016. NCLAT is also the Appellate Tribunal for hearing appeals against the orders passed by Insolvency and Bankruptcy Board of India under Section 202 and Section 211 of IBC. NCLAT is also the Appellate Tribunal to hear and dispose of appeals against any direction issued or decision made or order passed by the Competition Commission of India (CCI) – as per the amendment brought to Section 410 of the Companies Act, 2013 by Section 172 of the Finance Act, 2017, with effect from 26th May, 2017.

CHAPTER 4: GLOBAL ENVIRONMENT

INTRODUCTION TO THE GLOBAL BUSINESS ENVIRONMENT

As globalization, digitalization, and the easing of trade policies continue, businesses have opportunities to enter new markets while facing complex challenges like political risks, differing regulations, and cultural diversity. The global business environment is a network of economies and societies connected through trade, investment, technology, and information.

A. Key features of the global business environment include:

Economic Interdependence: Countries and companies are connected through supply chains, capital flows, and labour movement. For example, a smartphone sold in India may have its design from the U.S., components from South Korea, assembled in China, and distributed worldwide.

Political and Legal Influences: Trade agreements, such as WTO norms and regional agreements like the EU, NAFTA/USMCA, and RCEP, as well as tariffs, sanctions, and local laws, affect how businesses operate internationally.

Technological Integration: Rapid advancements in AI, blockchain, e-commerce, and digital platforms have changed how businesses provide value globally. Companies need to frequently innovate to stay competitive.

Cultural Diversity: For global managers, understanding different cultural values, consumer preferences, negotiation styles, and workplace behaviours' is vital. Misunderstanding cultural norms can lead to unsuccessful business efforts.

Sustainability and Ethics: There is a growing focus on ESG (Environmental, Social, and Governance) practices, making ethical and sustainable business practices essential in the global market. Issues like climate change, responsible sourcing, and social equity are now central to business strategies.

Risk and Uncertainty: Global businesses must manage financial crises, pandemics like COVID-19, geopolitical conflicts such as the Russia-Ukraine war, currency fluctuations, and natural disasters that can disrupt operations. The global business environment is dynamic, unpredictable, and highly competitive. To succeed in this landscape, companies must create strategies that balance global efficiency with local responsiveness, build cultural awareness, and keep innovating.

PESTLE Framework for Global Business Environment

The PESTLE framework diagram for the Global Business Environment highlights six key dimensions: Political, Economic, Social, Technological, Legal, and Environmental. The macro environment (Political, Economic, Social, Technological, Legal, Environmental – PESTLE) shapes the context in which businesses operate. These largescale forces indirectly influence daily or micro-level decisions on pricing, hiring, sourcing, marketing, and investments.

Liberalization and Globalization Impacts on the Global Business Environment

Liberalization and globalization are interconnected forces that have significantly changed the global business environment. While often viewed as the same, they are different processes. Liberalization involves reducing or removing government regulations and restrictions on economic activities, especially in trade and investment. This includes lowering tariffs, easing foreign investment rules, and privatizing state-owned enterprises. Globalization refers to the growing interconnectedness and integration of the world's economies, cultures, and societies. It is a broad process driven by liberalization, technological advances, and the actions of multinational corporations. Together, these forces have created a more integrated, competitive, and dynamic global marketplace.

Key Impacts of Liberalization and Globalization

Increased Market Access and Competition

Liberalization has removed trade barriers like tariffs and quotas, making it easier for companies to enter foreign markets. This has led to a surge in international trade and foreign direct investment (FDI). For businesses, this means a larger customer base and access to new resources, but also tougher competition from global rivals. Domestic companies that were once protected by government regulations must now compete globally, pushing them to become more efficient and innovative.

The Rise of Multinational Corporations (MNCs) and Global Supply Chains

Globalization has enabled multinational corporations (MNCs) to expand rapidly. These companies can now divide their production processes across various countries, taking advantage of lower labor costs, tax incentives, and specialized resources. This has led to complex global supply chains, where different stages of a product's creation, from design to assembly, can occur in several nations. For example, a smartphone might be designed in the U.S., use components from Korea and Taiwan, and be assembled in China.

Technology and Digital Transformation

Technological progress has been a major factor in both liberalization and globalization. The internet, digital communication, and improved transportation have reduced the costs and time associated with conducting business across borders. This has enabled small and medium-sized enterprises (SMEs) to compete globally through e-commerce platforms. Technology has also facilitated the sharing of information, ideas, and best practices, creating a more interconnected and knowledge-driven global economy.

Financial Integration and Capital Flows

Liberalization of financial markets has made it easier for capital to move across borders. This allows companies to raise funds and invest globally, while giving investors more options. However, this financial integration comes with risks. An economic downturn or financial crisis in one country can quickly affect others, as seen during the 2008 global financial crisis.

Challenges and Negative Consequences

Increased Inequality: The advantages of globalization are not shared evenly. While some countries have seen rapid economic growth, others have struggled. Within countries, there is often a rise in income disparity between skilled workers who succeed in the global economy and those in industries displaced by foreign competition.

Job Displacement: The shift of manufacturing and other jobs to countries with lower labor costs has caused job losses in developed nations. This has contributed to economic and social unrest.

Environmental Concerns: The growth of global supply chains and increased production can lead to a larger environmental footprint, including higher carbon emissions from transportation and potential exploitation of natural resources in developing countries with less strict environmental laws.

Cultural Homogenization: The global spread of a few dominant cultures and brands, often Western, can result in the loss of unique local cultures and traditions.

ORGANIZATIONS DRIVING GLOBAL BUSINESS

International organizations play a key role in shaping the current global business environment. They set rules, ensure financial stability, and promote economic development. These organizations create a framework that supports international trade and investment. The following are key organizations driving global business:

A. World Trade Organization (WTO)

The World Trade Organization (WTO) is the only global organization focused on establishing trade rules between nations. At its core are the WTO agreements, negotiated and signed by most of the world's trading nations and ratified by their parliaments. The goal is to ensure that trade flows smoothly, predictably, and freely.

Formation

The World Trade Organization (WTO) was officially established on January 1, 1995, succeeding the General Agreement on Tariffs and Trade (GATT), which had governed international trade since 1947. The idea for the WTO came during the Uruguay Round of trade negotiations (1986–1994), where member countries recognized the need for a stronger, permanent body to regulate trade rather than a temporary agreement like GATT.

The WTO was created to provide a rules-based, transparent, and predictable framework for international trade. Unlike GATT, which mainly focused on trade in goods, the WTO covers a wider domain, including goods, services, and intellectual property rights. Its headquarters are in Geneva, Switzerland, with 164 member countries, representing more than 98% of world trade, making it one of the most powerful institutions in the global economy.

Role of WTO

The WTO is often described as the guardian of international trade. Its primary role is to ensure that trade between nations flows smoothly, fairly, and predictably. By creating a structured legal and institutional framework, the WTO gives businesses, investors, and governments confidence that trade will not be disrupted by sudden policy changes.

It acts as a forum for trade negotiations, where member countries come together to discuss tariff reductions, removal of trade barriers, or the adoption of new trade-related standards. Another crucial function is as a dispute settlement authority, where trade conflicts between countries are resolved fairly.

For instance, India's disputes with the U.S. regarding solar panel imports and agricultural subsidies were taken to the WTO, and decisions were made based on globally agreed rules. Such mechanisms prevent countries from engaging in trade wars that could destabilize global commerce.

Functions of WTO

The WTO performs several important functions that help promote international trade:

Administering Trade Agreements

The WTO manages a set of multilateral trade agreements covering goods (GATT), services (GATS), and intellectual property rights (TRIPS). These agreements require member nations to abide by global trade rules.

Forum for Negotiations

It provides a permanent platform for negotiations. For example, the Doha Development Round was launched to address the concerns of developing countries in world trade.

Dispute Settlement

One of the strongest features of the WTO is its Dispute Settlement Body (DSB). If a country believes another has violated WTO rules, it can file a complaint. The DSB investigates and delivers a binding judgment. This provides a peaceful and structured way to resolve trade conflicts.

Trade Policy Review Mechanism (TPRM)

The WTO periodically reviews the trade policies of its members to ensure transparency and compliance. These reviews encourage countries to follow stable and investor-friendly policies.

Capacity Building and Technical Assistance

The WTO offers training and technical assistance to developing and least-developed countries, helping them build the capacity to participate effectively in global trade.

Cooperation with Other Institutions

The WTO works with the IMF, World Bank, and UNCTAD to ensure a coordinated approach to global economic stability and development.

Contributions of WTO in Fostering Business, Trade, and Commerce

Promotion of Free Trade

WTO has significantly lowered trade barriers. Global tariffs, which were around 40% in 1947, have now fallen to below 5% in many sectors. This reduction has resulted in a remarkable growth of international trade, benefiting both producers and consumers.

Predictability and Stability for Businesses

Since trade rules are binding and disputes are settled by the WTO, companies and investors can confidently make long-term investment decisions. Predictability is important for businesses that operate on a global scale.

Dispute Resolution and Fair Competition

The fair way to resolve disputes ensures every participant has a level playing field. For example, smaller economies can challenge the unfair practices of larger economies without fearing retaliation, which is not possible outside the WTO framework.

Encouragement of Globalization

WTO has helped integrate markets worldwide, creating opportunities for multinational corporations and exporters. For instance, India's boom in IT and service exports owes much to WTO's General Agreement on Trade in Services (GATS), which opened up global markets for outsourcing.

Special Provisions for Developing Nations

WTO acknowledges that nations have unequal statuses and offers special treatment to developing countries. This includes longer timeframes for implementing agreements, exemptions, and financial assistance.

Intellectual Property Protection

Through TRIPS (Trade-Related Aspects of Intellectual Property Rights), WTO offers global protection for patents, copyrights, and trademarks. This encourages innovation, foreign direct investment (FDI), and technology transfer.

Boost to Consumer Welfare

By promoting competition and reducing trade barriers, WTO has broadened consumer choices, lowered prices, and improved product quality.

B. United Nations Conference on Trade and Development (UNCTAD)

The United Nations Conference on Trade and Development (UNCTAD) is an **intergovernmental organization established in 1964**. Its main goal is to help developing countries integrate into the global economy in a fair and effective way. UNCTAD was founded to address the concerns of newly independent nations that felt existing international institutions, like GATT (now the WTO), did not represent their interests. These nations believed the global economic system favored industrialized countries.

Formation and Rationale

UNCTAD was established in response to the frustrations of developing countries in the mid-20th century. These nations often relied on commodities and faced challenges such as falling export prices and limited power in trade negotiations. They wanted a permanent forum to discuss these structural imbalances and support a new international economic order focused on reducing global economic inequality. UNCTAD became that voice, advocating for changes that would benefit the Global South.

Roles and Functions

UNCTAD's work is based on three main pillars:

Research and Policy Analysis: It serves as a global think tank focused on trade and development. UNCTAD produces reliable reports that analyze trends in trade, investment, finance, and technology. A key publication is the annual World Investment Report, providing important insights on global foreign direct investment (FDI) trends. This research helps governments and businesses understand the global economic landscape and make informed decisions.

Consensus-Building: UNCTAD acts as a forum for discussions among governments. It brings together representatives from all member states to find common ground on development issues. This is especially critical for developing countries, allowing them to coordinate their positions and represent their interests in multilateral negotiations, ensuring their voices are heard in shaping global economic policies.

Technical Cooperation: UNCTAD offers direct technical assistance and capacity-building to developing countries. This includes programs to train trade negotiators and customs officials, help countries draft investment policies, and provide software for customs procedures like the ASYCUDA program. This support boosts countries' abilities to engage effectively in international trade.

Contributions to Fostering Business, Trade, and Commerce

UNCTAD's efforts greatly impact the global business environment, especially for businesses in or with developing countries:

Promoting Fair Trade: UNCTAD consistently supports special treatment for developing nations in trade agreements. This principle provides these countries with more flexibility in following international rules, creating a fairer environment for their businesses.

Trade Facilitation: By helping nations modernize customs procedures and trade infrastructure, UNCTAD reduces the time and cost associated with cross-border business. This simplifies the import and export processes for companies, enhancing international commerce.

Encouraging Sustainable Investment: UNCTAD's work on investment policy helps developing countries attract and manage foreign direct investment (FDI) better. It offers advice on creating a favorable investment climate while ensuring that FDI supports sustainable development and job creation, both crucial for long-term business success.

Supporting SMEs: The organization provides resources and support for small and medium-sized enterprises (SMEs) in developing countries to overcome challenges and connect to global value chains. This expands their network of potential partners and suppliers.

C. Bay of Bengal Initiative for Multi-Sectoral Technical and Economic Cooperation (BIMSTEC)

The Bay of Bengal Initiative for Multi-Sectoral Technical and Economic Cooperation (BIMSTEC) is a regional organization including seven member states from South Asia and Southeast Asia. Its aim is to promote technical and economic cooperation to create a more integrated and prosperous region.

Formation and Rationale

BIMSTEC was established on June 6, 1997, with the signing of the Bangkok Declaration. Initially called BIST-EC, it included Bangladesh, India, Sri Lanka, and Thailand. After Myanmar joined in late 1997, it became BIMST-EC. The addition of Nepal and Bhutan in 2004 changed it to the Bay of Bengal Initiative for Multi-Sectoral Technical and Economic Cooperation. BIMSTEC came into existence from a shared interest in accelerating economic growth and social progress among countries connected to the Bay of Bengal. It serves as an important link between the South Asian Association for Regional Cooperation (SAARC) and the Association of Southeast Asian Nations (ASEAN).

Roles and Functions

BIMSTEC operates as a sector-driven organization, where each member country leads in certain areas of cooperation. Its actions follow principles of equality, political independence, and mutual benefit. Key roles include:

Promoting Economic Cooperation: BIMSTEC aims to boost rapid economic development by carrying out specific projects in agreed areas.

Enhancing Connectivity: A major focus is improving physical links through road, rail, air, and sea routes. The BIMSTEC Master Plan for Transport Connectivity is a significant project aimed at this goal.

Sector-Specific Cooperation: The organization has identified several key sectors for collaboration. These include trade and investment, connectivity, security, agriculture, and science and technology.

Serving as a Platform for Dialogue: BIMSTEC provides a space for leaders and officials to meet, discuss policies, and reach agreements on common concerns.

Contributions to Fostering Business, Trade, and Commerce: BIMSTEC has significantly impacted the business climate in the region, though challenges remain.

- **Free Trade Agreement (FTA):** A framework agreement for a BIMSTEC Free Trade Area (FTA) was signed in 2004. Ongoing FTA negotiations aim to increase intra-regional trade and attract foreign investment by lowering tariffs and non-tariff barriers.
- **Trade Facilitation:** The organization is working to streamline customs processes and reduce bureaucracy, making cross-border trade easier and more efficient. This is essential in a region with varying levels of economic development.
- **Boosting Investment:** BIMSTEC promotes investment cooperation by creating a platform for discussing investment policies and encouraging private sector involvement through events like the BIMSTEC Business Conclave.
- **Connectivity Projects:** Initiatives like the Kaladan Multimodal Transit Transport Project and the India-Myanmar-Thailand Trilateral Highway aim to lower trade costs and enhance supply chain efficiency, benefiting businesses in the region.

D. European Union (EU)

The European Union (EU) is a unique economic and political union of 27 member states, primarily in Europe. It grew from a series of treaties aimed at promoting peace and economic integration after World War II. The EU operates as a single market with a common currency (the Euro) for many members. It functions through supranational institutions that make decisions and enforce laws applicable across all member states.

Formation and Evolution

The EU's roots trace back to the European Coal and Steel Community (ECSC), established in 1951 by six founding members (Belgium, France, Germany, Italy, Luxembourg, and the Netherlands). The goal was to prevent future conflicts by sharing control of key industrial resources. This success led to the Treaty of Rome in 1957, which formed the European Economic Community (EEC), a common market that aimed to remove barriers to trade.

The modern EU was formally created by the Maastricht Treaty in 1993. This treaty established the EU as a political entity and laid the groundwork for a single currency, a common foreign and security policy, and increased cooperation on justice and home affairs. Since then, the EU has grown considerably, adding new members from Central and Eastern Europe and becoming a major global economic power.

Roles and Functions

The EU's roles and functions are vast and complex, covering many policy areas. Key functions include:

Legislation: The EU's institutions, mainly the European Parliament and the Council of the European Union, create laws that all member states must follow. This legislation covers areas from environmental protection and consumer safety to trade and competition.

Economic and Monetary Union (EMU): The EU has established a single currency, the euro, for 20 of its members, along with a common monetary policy managed by the European Central Bank (ECB). The euro makes cross-border transactions easier and helps keep prices stable.

External Representation: The EU represents itself as a single entity on the global stage, especially in trade negotiations. It negotiates international trade agreements on behalf of all its members, giving it considerable influence in global trade discussions.

Contributions to Business, Trade, and Commerce

The EU's contributions to fostering business and trade are foundational to its purpose.

- **The Single Market:** This is the EU's most significant contribution. It guarantees free movement of goods, services, capital, and people across member states, removing internal borders and trade barriers. This allows businesses to operate on a larger scale with fewer obstacles.
- **Reduced Trade Costs:** By eliminating tariffs and creating a standardized regulatory environment, the EU has significantly lowered the cost and complexity of doing business within Europe. This has led to greater efficiency, lower consumer prices, and increased competitiveness for European companies.
- **Global Trade Powerhouse:** As the world's largest single market, the EU plays a major role in global trade. It has negotiated a broad network of free trade agreements (FTAs) with countries and blocs worldwide, opening up new markets for European businesses and providing access to raw materials and innovations.
- **Standardization:** The EU sets common standards for products and services, covering areas like food safety and electronics. This means a product approved for sale in one EU country can be sold across the entire bloc, simplifying supply chains and encouraging innovation.

E. International Monetary Fund (IMF)

The International Monetary Fund (IMF) is a key part of the global financial system, established to ensure monetary stability and promote international cooperation. While it doesn't directly drive business or trade like a company or a free trade agreement, its role in creating a stable and predictable economic environment is vital for global commerce.

Role and Functions

The IMF's main role is to act as a financial watchdog and a lender of last resort for its 190 member countries. Its functions are based on three main pillars:

Surveillance: The IMF keeps an eye on the global economy and the economic policies of its member nations. Through regular consultations, known as Article IV consultations, the IMF assesses a country's economic health, identifies potential risks, and offers policy

recommendations. This oversight is crucial for preventing crises and promoting sustainable growth, which in turn fosters a reliable environment for international business and investment.

Financial Assistance: When a country hits a balance of payments crisis, meaning it cannot pay for its imports or manage its foreign debt, the IMF offers temporary financial help. This lending is an essential function, giving countries the time and resources to make policy changes without resorting to harmful measures that could hurt their economies and global trade, like imposing strict import limits.

Capacity Development: The IMF provides technical help and training to aid member countries in strengthening their economic institutions. This includes guidance on tax administration, modernizing central banks, and improving legal systems. By boosting a country's ability to handle its economy, the IMF helps create a more stable and clear environment for both local and international businesses.

Contributions to Fostering Business, Trade, and Commerce

The IMF's contributions to global business, trade, and commerce are indirect but fundamental. They stem from its mission to establish a steady, rule-based international monetary system.

- **Promoting Exchange Rate Stability:** One of the IMF's founding goals was to maintain stable exchange rates among its members. By discouraging competitive currency devaluations, the IMF gives businesses the certainty needed to engage in cross-border trade and investment. A steady exchange rate lowers the risk for companies involved in international transactions.
- **Removing Trade and Payment Restrictions:** The IMF collaborates with its members to eliminate foreign exchange barriers and set up a multilateral payment system. This allows businesses to exchange currencies and conduct transactions across borders more easily, which is essential for the smooth flow of goods and services.
- **Lending as a "Financial Firefighter":** By providing loans to countries in distress, the IMF prevents economic turmoil from spreading to other nations. This "contagion" effect can trigger global recessions and interrupt supply chains. The IMF's responses to crises,

such as the 1997 Asian financial crisis or the 2008 global financial crisis, were crucial in restoring trust in the global financial system.

- **Encouraging Sound Policies:** The conditions tied to IMF loans often require countries to pursue market-driven reforms. These can include fiscal discipline, trade liberalization, and improved governance. Such reforms can create a clearer and more attractive environment for both local and foreign businesses to grow and succeed.

F. International Chamber of Commerce (ICC)

The International Chamber of Commerce (ICC) is a global business group that promotes and supports international trade and investment. It was founded in 1919 by “Merchants of Peace” after World War I. They believed that a strong, connected global economy would reduce the chances of future conflicts. The ICC’s main role is to represent international business and set rules and standards that make cross-border transactions easier.

Formation and Structure

The ICC is a non-governmental organization with a vast network of national committees and direct members in over 170 countries, representing more than 45 million companies. Its headquarters is in Paris, France. The ICC’s highest governing body is the World Council, made up of representatives from its national committees. The International Secretariat, also located in Paris, is the operational body that implements the ICC’s work program and represents the business community in international forums.

Key Roles and Functions

The ICC’s work is divided into three main areas: rule-setting, dispute resolution, and policy advocacy.

Rule-Setting: The ICC creates and publishes a variety of voluntary rules, guidelines, and standards that businesses and financial institutions widely adopt. Key examples include:

- **Incoterms (International Commercial Terms):** These three-letter trade terms define the rights and obligations of buyers and sellers in the delivery of goods. They clarify responsibilities for transportation, insurance, and duties, helping to prevent misunderstandings and disputes.

- **Uniform Customs and Practice for Documentary Credits (UCP):** This set of rules governs letters of credit, which are vital for financing international trade. The UCP offers a common framework for banks to manage and assess the documents involved in these transactions, making the process quicker and more secure.

Dispute Resolution: The ICC International Court of Arbitration is a leading global institution for resolving commercial disputes. It is not a court in the traditional sense; rather, it oversees and manages arbitration processes. It appoints arbitrators, monitors the proceedings, and evaluates final awards to ensure quality and legal enforceability. This service offers a confidential and efficient alternative to complex and lengthy national court litigation.

Policy Advocacy: The ICC represents global business at major international forums. It holds a consultative status with the United Nations and actively participates in discussions at the World

Trade Organization (WTO) and the G20. The ICC advocates for policies that support an open, rules-based, and fair international trading system. It also tackles important global issues such as commercial crime, corruption, and transitioning to a more sustainable, digital economy.

Contributions to Fostering Business and Trade

The ICC's efforts have significantly shaped the modern global economy by creating a more predictable, transparent, and secure environment for international commerce.

- **Standardization and Reduced Risk:** By providing standardized rules like Incoterms and UCP, the ICC has greatly lowered uncertainty and risk in international trade. Businesses can confidently enter cross-border transactions knowing there is a universally accepted framework for their contracts and payments.
- **Encouraging Investment:** The ICC's arbitration services build trust in international business partnerships. A neutral and enforceable dispute resolution process encourages companies to invest and trade in new markets, knowing their interests are protected.
- **Promoting Free and Fair Trade:** Through advocacy, the ICC works to remove trade barriers and counter protectionism. This promotes open markets, fair competition, and economic growth, benefiting businesses of all sizes and creating jobs worldwide. The ICC also

strives to ensure that globalization's benefits are widely shared while addressing sustainability and social responsibility in business.

G. Organisation for Economic Co-operation and Development (OECD)

The Organisation for Economic Co-operation and Development (OECD) is an intergovernmental organization with 38 member countries. It aims to shape policies that promote prosperity, equality, opportunity, and wellbeing. The OECD is a place for governments to compare policy experiences, seek solutions to common problems, and find best practices. It succeeded the Organization for European Economic Co-operation (OEEC), which was formed in 1948 to manage the American-funded Marshall Plan for post-World War II reconstruction in Europe. The OECD was established in 1961, expanding its membership to include non-European countries like the United States and Canada for a broader global mission.

Roles and Functions

The OECD operates as a think tank and monitoring body, providing data, analysis, and recommendations without enforcement power. Its main functions include:

Policy Analysis and Data Collection: The OECD is a key source of economic data and policy analysis. It gathers extensive data on various economic, social, and environmental issues, producing regular reports such as the OECD Economic Outlook, which predicts global economic trends.

Standard-Setting: The OECD develops international standards and non-binding instruments, such as recommendations and principles. Although these are not legally binding, they significantly influence national policies. Examples include the G20/OECD Principles of Corporate Governance and the OECD Anti-Bribery Convention.

Peer Review: A core function involves peer reviews, where member countries' performance in specific policy areas is evaluated by other members. This provides a platform for accountability and encourages the adoption of successful policies.

Forum for Dialogue: The OECD facilitates discussions among governments, experts, and stakeholders on pressing global issues, allowing for a cooperative approach to challenges that cross national borders.

Contributions to Fostering Business, Trade, and Commerce

The OECD's impact on international business and trade is significant, even without direct enforcement powers.

- **Promoting Open and Fair Markets:** The OECD strongly advocates for free and open markets and a rules-based international trading system. Its research and analysis on protectionism costs and trade liberalization benefits inform policy decisions and negotiations at forums like the World Trade Organization (WTO).
- **Fighting Economic Crime:** The OECD has led efforts against international tax evasion and bribery. Its work on Base Erosion and Profit Shifting (BEPS) has helped create a more level playing field for businesses by ensuring multinational corporations pay their fair taxes. The Anti-Bribery Convention has also been vital in fighting corruption in international business transactions.
- **Simplifying International Business:** The OECD works to lower regulatory barriers and improve transparency in areas like investment and services trade. Its Services Trade Restrictiveness Index (STRI) identifies and measures regulatory barriers, providing a foundation for reform.
- **Supporting SMEs and Global Value Chains:** The organization offers policy recommendations to help small and medium-sized enterprises (SMEs) succeed in the global economy. It also researches global value chains to help countries and businesses understand and integrate into these complex international production networks.

H. Asia-Pacific Economic Cooperation (APEC)

The Asia-Pacific Economic Cooperation (APEC) is an intergovernmental forum for 21 member economies in the Pacific Rim, aiming to promote free trade and economic cooperation throughout the region. **Founded in 1989**, APEC has become a crucial engine for economic growth, representing about 62% of the world's GDP and nearly half of global trade. Unlike traditional trade blocs, APEC operates on a voluntary basis, with decisions made by consensus. Its focus

is on facilitating trade, reducing barriers, and fostering a collaborative environment to enhance living standards and prosperity across the region.

Formation and Structure

APEC was established in response to the increasing economic interdependence of the Asia-Pacific region. The initiative was led by Australian Prime Minister Bob Hawke, who recognized the need for formal economic cooperation. In November 1989, 12 economies met in Canberra, Australia, to create the forum. The membership has grown to include 21 economies, such as the United States, China, Japan, and Russia. APEC members are called “economies” rather than “countries” to highlight the focus on trade and economic issues, not political or military matters.

Roles and Functions

APEC's work is based on three pillars:

Trade and Investment Liberalization: APEC aims to reduce tariffs and other barriers to trade and investment. A key goal was the Bogor Goals, set in 1994, which sought free and open trade and investment in the region by 2010 for industrialized economies and by 2020 for developing economies. While these goals were not fully achieved, they have driven reform.

Business Facilitation: APEC seeks to make it easier, cheaper, and faster to do business across borders. This includes streamlining customs procedures, aligning regulations and standards, and promoting the use of digital tools. For example, the APEC Business Travel Card (ABTC) enables visa-free access for short-term business travel within member economies.

Economic and Technical Cooperation (ECOTECH): This pillar focuses on helping member economies improve their capacity and economic infrastructure. APEC-funded projects offer training and technical assistance in various areas, from digital skills for rural communities to enhancing food safety standards and promoting sustainable development.

Contributions to Fostering Business and Trade

APEC's voluntary and non-binding approach has effectively promoted economic integration and prosperity in the region.

- **Tariff Reduction and Trade Growth:** APEC's initiatives have led to a significant average tariff reduction across the region. From 1989 to 2019, average tariffs within APEC economies fell from 17% to 5.2%. This change sparked a substantial increase in trade and investment, with merchandise trade within APEC rising more than nine times during that period.
- **Creating a Better Business Environment:** By encouraging better regulatory practices and streamlining border procedures, APEC has made it easier for businesses to operate internationally. The APEC Trade Repository, an online platform containing information on market access and regulations, has improved transparency and helped businesses navigate complex trade rules.
- **Addressing Modern Challenges:** APEC's agenda has adapted to tackle new challenges for businesses and trade, such as the digital economy, climate change, and inclusive growth. It supports digital trade initiatives, helps small and medium-sized enterprises (SMEs) engage in global value chains, and promotes policies ensuring that trade benefits are shared more broadly among all people, including women and indigenous communities.

3. ORGANIZATIONS DRIVING THE GLOBAL FINANCIAL SYSTEM

Organizations like the World Bank, Asian Development Bank, New Development Bank, and the European Central Bank play a vital role in shaping the global financial system. They provide stability, encourage economic growth, and create an environment favorable to international business, trade, and commerce.

A. World Bank Group (IFC, IDA)

The World Bank Group is made up of five international organizations that offer financial and technical aid to developing countries. Two of its main institutions, the International Finance Corporation (IFC) and the International Development Association (IDA), have specific roles that help foster business, trade, and commerce.

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International Finance Corporation (IFC)

The IFC is the private sector branch of the World Bank Group. It was founded in 1956 to promote private sector development in developing countries. Its creation recognized that a strong private sector is crucial for sustainable economic growth and poverty reduction.

Role and Functions:

The IFC's main role is to act as a catalyst for private investment in emerging markets. It achieves this by:

- Directly investing in private companies through loans, equity, and guarantees.
- Mobilizing capital from other investors, such as commercial banks and institutional investors, for development projects.
- Offering advisory services to businesses and governments on various topics, including corporate governance, risk management, and environmental and social standards.

Contributions to Business, Trade, and Commerce:

The IFC focuses on building a strong private sector. By investing in private companies, it helps create jobs, encourage entrepreneurship, and introduce new technologies. Its work in high-risk markets, where traditional financing is scarce, helps unlock economic potential. The IFC's support for businesses in sectors like infrastructure, agriculture, and finance directly supports trade and commerce.

International Development Association (IDA)

The IDA is part of the World Bank that aids the world's poorest countries.

Formation:

It was created in 1960 to complement the World Bank's original lending arm (IBRD) by offering highly concessional financing to countries unable to borrow on regular market terms.

Role and Functions:

The IDA's main function is to provide interest-free loans (called "credits") and grants to low-income countries. These funds are used for critical development projects, such as:

- Building essential infrastructure like roads, schools, and hospitals.
- Funding social services like healthcare and education.
- Implementing reforms in governance and public finance.

Contributions to Business, Trade, and Commerce:

While the IDA does not lend directly to businesses, its contributions are foundational for establishing a stable and viable business environment. By funding essential public services and infrastructure, the IDA lowers operational costs and risks for businesses. A country with better roads, a more educated workforce, and reliable power is more appealing to both local and foreign investment. The IDA also helps create the institutional framework and stability necessary for trade and commerce to thrive.

B. Asian Development Bank (ADB)

The Asian Development Bank (ADB) is a regional development bank founded in 1966 with the mission to encourage economic growth and cooperation in the Asia-Pacific region. Its main goal is to help developing member countries lower poverty and improve the quality of life for their people. Owned by 68 members, most of whom are from the region, the ADB operates through loans, technical assistance, grants, and advisory services.

Formation and Evolution

The ADB was established on December 19, 1966, under the United Nations Economic and Social Commission for Asia and the Pacific (UNESCAP). Its creation addressed the need for a financial institution tailored to Asian needs. The bank began with 31 members and has since grown to include both regional and non-regional members, with Japan and the United States as its two largest shareholders.

Roles and Functions

The ADB follows a long-term strategic framework that focuses on three key areas: inclusive growth, environmentally sustainable growth, and regional integration. Its main functions include:

- **Financial Assistance:** The ADB provides loans and grants to its developing member countries for a wide range of public and private projects, including infrastructure like roads and power plants as well as social services like education and healthcare.
- **Technical Assistance:** It offers expertise and grants to help countries prepare and implement development projects, formulate effective policies, and build institutional capacity.
- **Knowledge Sharing:** The ADB acts as a knowledge hub, producing research, data, and analysis on economic trends and development issues to guide policy decisions in the region.
- **Catalyst for Investment:** The ADB acts as a co-financier, attracting resources from other development partners, commercial banks, and private investors to fund significant projects that would otherwise be too risky or expensive.
- **Contributions to Fostering Business, Trade, and Commerce**

The ADB's efforts directly impact the business environment in the Asia-Pacific region.

- **Infrastructure Development:** By financing major infrastructure projects, the ADB improves physical connectivity within and between countries. Better roads, ports, and energy grids lower transportation costs, streamline supply chains, and facilitate business operations and trade.
- **Trade Facilitation:** The bank actively backs initiatives to simplify customs procedures and reduce non-tariff barriers. Its Trade and Supply Chain Finance Program is noteworthy, as it bridges gaps in the financial market by providing guarantees and loans to banks, which supports trade transactions and decreases risk for both importers and exporters.
- **Private Sector Development:** The ADB directly helps private enterprises in developing member countries through loans and equity investments. It finances projects with significant development impacts, such as those that generate jobs, promote sustainable practices, or introduce new technologies.
- **Regional Integration:** By encouraging regional cooperation and integration, the ADB creates a more unified and attractive market. This includes facilitating policy discussions

and supporting subregional programs that strengthen economic ties and help businesses access new markets.

C. New Development Bank (NDB)

The New Development Bank (NDB) is a multilateral development bank created by the BRICS countries (Brazil, Russia, India, China, and South Africa). Its main purpose is to gather resources for infrastructure and sustainable development projects in emerging markets and developing countries. The NDB is often regarded as an alternative to Western-dominated financial institutions like the World Bank and the IMF, offering a new approach to development financing.

Formation and Rationale

The idea for the NDB was first proposed at the 4th BRICS Summit in 2012 in New Delhi, India. The formal agreement to establish the bank was signed at the 6th BRICS Summit in Fortaleza, Brazil, in 2014, and the bank became operational in 2015. Key factors behind the NDB's formation included:

- **Addressing the "Infrastructure Gap":** BRICS nations and other developing countries face a major deficit in infrastructure funding. The NDB was established to help close this gap by providing dedicated capital for projects in sectors like transport, energy, and water.
- **Reforming Global Financial Governance:** The founding countries were frustrated with the slow pace of reform at existing international financial institutions, which they felt did not adequately represent emerging economies. The NDB, with equal shareholding and voting rights for its founding members, was designed to be a more balanced institution.
- **Reducing Dependence on Western Currencies:** The NDB aims to promote the use of local currencies in lending and transactions, which helps reduce foreign exchange risks for borrowers and strengthens the financial independence of member countries.

Roles and Functions

The NDB has a clear focus on infrastructure and sustainable development. Its main functions include:

- **Project Financing:** The bank offers loans, guarantees, equity participation, and other financial tools to support public and private projects in its member countries.
- **Mobilizing Resources:** The NDB seeks to attract capital from various sources, including international bond markets and co-financing partnerships with other multilateral development banks.
- **Promoting Knowledge Sharing:** It provides technical assistance and shares expertise on best practices for project design, management, and execution, with a strong focus on environmental, social, and governance (ESG) standards.
- **Supporting Sustainable Development:** A key goal of the NDB's strategy is to fund projects that align with the Sustainable Development Goals (SDGs), especially in areas like clean energy, water and sanitation, and environmental protection.

D. European Central Bank (ECB)

The European Central Bank (ECB) serves as the central bank for the 20 European Union countries that have adopted the euro (€). It is one of the world's key central banks and plays an essential role in maintaining financial stability and supporting the economy of the Eurozone.

Formation and Evolution

The ECB was officially established on June 1, 1998, succeeding the European Monetary Institute. It emerged as part of the third and final stage of the Economic and Monetary Union (EMU), which introduced the euro as a common currency. The Treaty on the Functioning of the European Union provides the legal foundation for the ECB and guarantees its independence from political influences, ensuring that its decisions are based solely on economic factors. The ECB, along with the national central banks of all EU member states, makes up the European System of Central Banks (ESCB). However, only the ECB and the national central banks of Eurozone countries form the Eurosystem, which is the main decisionmaking body for monetary policy in the currency area.

Roles and Functions

The ECB's primary goal is to maintain price stability in the Eurozone, aiming for a target inflation rate of 2% over the medium term. By keeping prices stable, the ECB seeks to create a predictable economic environment that fosters sustainable growth and job creation. Its main functions include:

- **Setting Monetary Policy:** The ECB's Governing Council determines the key interest rates at which commercial banks can borrow from it. These rates affect interest rates throughout the Eurozone economy, influencing everything from business loans to consumer mortgages.
- **Managing the Euro:** The ECB is responsible for issuing euro banknotes and managing the Eurozone's foreign currency reserves. It also ensures the smooth operation of payment systems, such as the TARGET2 system, which facilitates large payments across the Eurozone.
- **Banking Supervision:** Through the Single Supervisory Mechanism (SSM), the ECB supervises the largest and most significant banks in the Eurozone. This role is vital for maintaining the safety and soundness of the European banking system, preventing financial crises, and sustaining trust in the financial sector.

Contributions to Business, Trade, and Commerce

The ECB's actions significantly impact the business environment within the Eurozone and for those trading with it.

- **Price Stability:** By keeping inflation low and stable, the ECB gives businesses a dependable planning horizon. Firms can confidently make long-term investment decisions without constant worry about future costs and revenues.
- **Eliminating Currency Risk:** The euro has removed exchange rate risk for cross-border transactions within the Eurozone. This change has made trade and investment easier and cheaper, encouraging deeper economic integration and creating a true single market for businesses.
- **Financial Stability:** The ECB supports banking supervision and acts as a "lender of last resort," helping to prevent financial turmoil. A stable financial system is crucial for business operations as it ensures a constant flow of credit and other financial services.

- **Promoting an Integrated Market:** The ECB's efforts to harmonize payment systems and promote a single European capital market simplify and reduce costs for businesses to raise capital and conduct transactions across the Eurozone.

E. World Federation of Exchanges (WFE)

The World Federation of Exchanges (WFE) is the global trade association for stock exchanges, derivatives exchanges, and central counterparties (CCPs). Founded in 1961, the WFE represents over 250 market infrastructure providers worldwide, spanning major financial centers and emerging markets. It serves as a collective voice for its members, working to foster fair, transparent, and stable financial markets.

Formation and Structure

The WFE was originally set up as the International Federation of Stock Exchanges by a group of European stock exchanges to enhance cooperation and tackle challenges in an increasingly international financial system. Its purpose, as stated in its founding documents, is to support and promote organized and regulated securities and derivatives markets. Headquartered in London, the WFE is a non-profit organization governed by a General Assembly of its members, a Board of Directors, and several committees. Its income comes from member contributions.

Roles and Functions

The WFE doesn't regulate markets directly, but it serves as a forum for its members to share knowledge, set best practices, and advocate for policies that benefit the global financial system. Its main functions include:

- **Standard-Setting and Best Practices:** The WFE creates and promotes voluntary standards and best practices for market operation, governance, and technology. These include areas like market integrity, cybersecurity, and data management. By sharing expertise, it helps exchanges and CCPs worldwide work more efficiently and securely.
- **Policy Advocacy and Representation:** The WFE represents the global exchange industry in key international forums. It collaborates with regulators, policymakers, and standard-setting bodies like the G20, the Financial Stability Board (FSB), and the International Organization of Securities

Commissions (IOSCO). The WFE provides expert analysis and recommendations to ensure that financial regulations support market development and stability.

- **Data and Research:** The WFE is a key source of exchange-traded statistics. It collects and publishes extensive data on market indicators, including trading volumes, market capitalization, and initial public offerings (IPOs). This research offers valuable insights into global market trends and informs policy decisions and academic research.

Contributions to Business, Trade, and Commerce

The WFE's work significantly impacts fostering business and commerce by creating a more secure and efficient financial ecosystem.

- **Enhancing Market Integrity and Trust:** By advocating for high standards in market conduct and oversight, the WFE helps to build investor trust and confidence. This encourages more individuals and institutions to engage in capital markets, providing businesses with more funding.
- **Promoting Fair Competition:** Through its push for global harmonized standards, the WFE aims to create a level playing field. This helps prevent regulatory arbitrage and ensures that exchanges and businesses compete based on innovation and efficiency rather than lowering standards.
- **Facilitating Capital Formation:** The WFE supports public markets as a crucial source of funding for businesses, including small and medium-sized enterprises (SMEs). Its research and policy efforts emphasize the importance of listing on exchanges for companies wanting to raise capital, broaden their investor base, and raise their public profile.

F. Financial Stability Board (FSB)

The Financial Stability Board (FSB) is an international body that monitors and makes recommendations regarding the global financial system. It was established in 2009 by the G20 countries as a successor to the Financial Stability Forum (FSF) to tackle the systemic vulnerabilities highlighted by the 2008 global financial crisis. The FSB's main goal is to promote international financial stability and ensure fairness for the financial industry.

Roles and Functions

The FSB doesn't have enforcement power over its recommendations, but instead works through peer pressure and moral persuasion to encourage its members to adopt agreed-upon policies. Its key functions include:

- **Vulnerability Assessment:** The FSB continually observes and evaluates vulnerabilities in the global financial system. It cooperates with its members and international organizations, like the IMF, to conduct "early warning exercises" that identify potential risks and weaknesses before they escalate into crises.
- **Policy Development and Coordination:** The FSB coordinates national financial authorities and international standard-setting bodies (such as the Basel Committee on Banking Supervision and the International Organization of Securities Commissions) to create and promote effective regulatory, supervisory, and financial sector policies. It aims to develop globally consistent standards to eliminate regulatory loopholes.
- **Implementation Monitoring:** The FSB keeps track of how its agreed-upon policies are implemented by its member jurisdictions. It releases regular progress reports and conducts peer reviews to check each country's compliance with international standards and commitments.
- **Contributions to Business, Trade, and Commerce**

While the FSB doesn't directly regulate businesses or engage in trade, its contributions to financial stability significantly influence the business environment.

- **Systemic Risk Reduction:** The FSB's focus on identifying and minimizing systemic risks helps prevent another major financial crisis. By reinforcing the global financial system, the FSB ensures that businesses of all sizes have reliable access to credit and capital, essential for investment, operations, and trade.
- **Harmonized Regulations:** By promoting consistent global standards, the FSB helps reduce complexity and regulatory uncertainty for multinational businesses and financial institutions. This streamlines operations for companies across borders and encourages international investment and trade.

- **Encouraging Transparency:** The FSB's initiatives, such as those related to the Global Legal Entity Identifier (LEI), boost transparency in financial markets. This fosters trust among trading partners, lenders, and investors, creating a more secure setting for international business and commerce.

G. Bank for International Settlements (BIS)

The Bank for International Settlements (BIS), founded in 1930, is the world's oldest international financial organization. It is owned by its member central banks.

i. Role and Functions:

The BIS's main role is to promote international monetary and financial cooperation and serve as a bank for central banks. It offers a platform for dialogue and collaboration among central banks, while also conducting research on financial stability and monetary policy. The BIS provides banking services, but only to central banks and other international financial institutions—not to the public or commercial banks.

Contributions to Business, Trade, and Commerce:

Although it doesn't directly fund businesses or trade, the BIS is essential for the global financial system that supports them. By promoting financial and monetary stability, it creates a predictable environment for international transactions. Its involvement in the Basel Committee on Banking Supervision (BCBS) is significant as it develops global standards for bank capital and risk management. This helps prevent financial crises and ensures the reliability of the banks that facilitate global trade.

European Investment Bank (EIB)

The European Investment Bank (EIB) was established in 1958 under the Treaty of Rome, which formed the European Economic Community (now the European Union). It acts as the long-term lending institution of the European Union.

Role and Functions:

The EIB's primary role is to provide long-term finance for projects that support EU policy goals. It lends to projects both inside and outside the EU, focusing on areas like climate and environment, innovation, small businesses, and infrastructure. It raises most of its funds by issuing bonds on international capital markets.

Contributions to Business, Trade, and Commerce: The EIB is a key source of funding for businesses and projects that drive economic growth. By financing large-scale infrastructure projects, like transport and energy networks, and supporting small and medium-sized enterprises (SMEs) through intermediary banks, it fosters the development of a competitive European economy. The EIB's investment in green projects also assists businesses in transitioning to more sustainable practices, which is increasingly important in global trade.

H. OPEC Fund for International Development (OFID)

OPEC – Organization of the Petroleum Exporting Countries

Founded: 1960 in Baghdad by Iran, Iraq, Kuwait, Saudi Arabia, and Venezuela. These countries were later joined by Qatar (1961), Indonesia (1962), Libya (1962), the United Arab Emirates (1967), Algeria (1969), Nigeria (1971), Ecuador (1973), Gabon (1975), Angola (2007), Equatorial Guinea (2017) and Congo (2018).

- **Headquarters:** Vienna, Austria (since 1965).
- **Objective:** Coordinate oil policies, ensure fair prices, stable supply, and fair return to producers.
- **Historical Overview**
- **1960s:** Formed to protect oil-producing nations' interests; adopted policy on national control over resources.
- **1970s:** Gained power; oil prices rose; created OPEC Fund for International Development (1976).
- **1980s:** Oil demand dropped; introduced production quotas to stabilize prices.
- **1990s:** Managed supply during Gulf War; joined climate discussions.
- **2000s:** Worked for market stability; faced 2008 financial crisis; focused on sustainable energy.
- **2010s:** Formed Declaration of Cooperation (2016) with non-OPEC producers; signed Paris Agreement.

- **2020s:** COVID-19 caused oil demand crash; OPEC made record production cuts to restore balance.

The OPEC Fund for International Development (OFID) was established in 1976 to help developing countries. It provides loans, grants, and aid for projects in areas like health, education, and infrastructure. Its main goal is to reduce poverty and promote sustainable development worldwide

1. Financial Stability Board (FSB)

The Financial Stability Board (FSB) was established in 2009 by the G20 as a successor to the Financial Stability Forum.

Role and Functions:

The FSB monitors and makes recommendations about the global financial system. It aims to strengthen financial systems and prevent future crises by coordinating the efforts of national financial authorities and international standard-setting bodies. It has no formal regulatory power but relies on its members' commitments to implement its suggestions.

Contributions to Business, Trade, and Commerce:

The FSB's work is vital for fostering a stable global financial system. By coordinating regulatory reforms and promoting sound financial practices, it reduces the risk of crises that can disrupt trade, restrict credit, and harm businesses worldwide. A stable financial system is essential for international commerce.

Basel Committee on Banking Supervision (BCBS)

The Basel Committee on Banking Supervision (BCBS) was established in 1974 by the central bank governors of the Group of Ten (G10) countries.

Role and Functions:

The BCBS is the primary global standard-setter for banking regulation. It develops and promotes consistent banking standards, such as the Basel Accords (I, II, and III), which outline

requirements for bank capital adequacy. Its goal is to strengthen the regulation, supervision, and practices of banks worldwide to improve financial stability.

Contributions to Business, Trade, and Commerce:

The BCBS's standards are key to a healthy global banking system. The Basel Accords ensure that banks have enough capital to handle financial shocks, preventing failures and maintaining trust in the financial system. This stability is crucial for businesses, guaranteeing access to credit and reliable financial services for trade and commerce.

J. International Organization of Securities Commissions (IOSCO)

The International Organization of Securities Commissions (IOSCO) was founded in 1983. It sets global standards for the securities sector.

Role and Functions:

IOSCO's main goal is to promote high standards of regulation to maintain fair, efficient, and sound markets. It develops and implements widely recognized standards for securities regulation and encourages cooperation and information sharing among its members.

Contributions to Business, Trade, and Commerce:

IOSCO contributes to a well-functioning global economy by promoting investor protection and market integrity. By establishing consistent standards for securities regulation, it builds trust and confidence in capital markets. This trust encourages cross-border investment and makes it easier for businesses to raise capital, essential for expansion, innovation, and job creation.

K. International Association of Insurance Supervisors (IAIS)

The International Association of Insurance Supervisors (IAIS) was established in 1994. It is the global standardsetter for the insurance sector.

Role and Functions:

The IAIS's mission is to promote effective, globally consistent supervision of the insurance industry. It develops and advocates for international standards for insurance supervision, such as the Insurance Core Principles (ICPs), and works to maintain stable and fair insurance markets.

Contributions to Business, Trade, and Commerce:

The IAIS plays a critical role in the stability and reliability of the global insurance industry. By promoting strong supervisory standards, it helps ensure that insurance companies can meet their obligations to policyholders. This is vital for businesses that rely on insurance for managing risk. A stable insurance market is essential for international trade and commerce, providing protection against a variety of risks.

L. Committee on Payments and Market Infrastructures (CPMI)

The Committee on Payments and Market Infrastructures (CPMI), formerly the Committee on Payment and Settlement Systems (CPSS), is a body of the BIS.

Role and Functions:

The CPMI is an international standard-setter that promotes, monitors, and recommends actions about the safety and efficiency of payment, clearing, and settlement systems. It works to ensure that the elements of the global financial system are reliable, secure, and efficient.

Contributions to Business, Trade, and Commerce:

The CPMI's work is essential for the smooth operation of global business and trade. By setting standards for payments and market infrastructure, it helps ensure the efficiency and safety of transaction systems worldwide.

THE SHANGHAI COOPERATION ORGANISATION (SCO)

The Shanghai Cooperation Organization (SCO) is a permanent intergovernmental international organization established on 15 June 2001 in Shanghai, China by the Republic of Kazakhstan, the People's Republic of China, the Kyrgyz Republic, the Russian Federation, the Republic of Tajikistan, and the Republic of Uzbekistan.

Its predecessor was the "Shanghai Five" mechanism.

In 2002, the Charter of the SCO was signed at the Council of Heads of State (CHS) meeting in St. Petersburg, and entered into force on 19 September 2003. The Charter defines the organization's goals, principles, structure, and major areas of activity.

Goals of the SCO

- To strengthen mutual trust, friendship, and good-neighborliness among member states.
- To encourage effective cooperation in politics, trade, economy, science and technology, culture, education, energy, transport, tourism, environmental protection, and other areas.
- To jointly safeguard peace, security, and stability in the region.
- To promote a new democratic, fair, and rational international political and economic order.

Guiding Principles

- **Internally:** the "Shanghai Spirit" — mutual trust, mutual benefit, equality, consultation, respect for cultural diversity, and pursuit of common development.
- **Externally:** non-alignment, non-targeting against other countries or regions, and openness.

Institutional Structure

- **Council of Heads of State (CHS):** The supreme decision-making body; meets annually to decide on major issues.
- **Council of Heads of Government (CHG):** Meets annually to discuss strategies of multilateral cooperation, approve the budget, and set priorities in economic and other fields.

- **Other ministerial and sectoral meetings:** Cover areas such as foreign affairs, defense, security, economy and trade, education, science and technology, culture, health, transport, emergency relief, agriculture, tourism, industry, energy, poverty alleviation, and sports.
- **Council of National Coordinators:** Ensures coordination among member states.

CHAPTER 5: ENVIRONMENTAL GOVERNANCE

ENVIRONMENTAL GOVERNANCE

- Environmental governance is important as it helps societies to identify and deal with environmental problems and involves interactions among different stakeholders and the government to identify strategies, methods, policies and alternatives to reduce impacts, resolve problems and devise long-term environment management plans.
- Environmental governance emphasises the inclusion of the environment in all parts of development planning and decision-making, from the inception of the project to its final implementation, and recognises the transboundary impacts of environmental management decisions.
- Environmental governance is a fundamental concept in the sustainable management of natural resources and the fight against climate change, referring to the set of rules, policies, practices, and processes through which public institutions, private organizations, and civil society make environmental decisions.
- Environmental governance is defined as the system of rules, practices, and processes that guide the management of the environment and natural resources, extending beyond government regulations to involve businesses, NGOs, and citizens in environmental decision-making.
- The main objective of environmental governance is to ensure that environmental decisions are transparent, inclusive, and effective, including policies that promote sustainability, ecosystem protection, and climate change mitigation.

Environmental governance broadly covers the following characteristics:



- Most environmental managers entrusted with the task of environmental governance aim for an optimal balance of natural resource uses and decide where that lies using planning and administrative skills.
- The conceptualisation adopted by mainstream environmental management is biased toward anthropocentric, implying environmental issues are considered after human development objectives are set.
- Since pre-history, human beings have accumulated environmental know how and developed strategies for exploiting nature.
- To help regulate and sustain resources, individuals evolved taboos, superstition and common rights, formulated laws to improve stewardship, and some countries prepared resource inventories.
- Many societies have managed to sustain reasonable lifestyles for long periods, while others were less careful and suffered hardships or full environmental and social collapse.
- The idea that pre-modern people were 'close to nature' and caused little environmental damage is often a myth.

Reasons of Adoption of Environmental Governance Practice	
Reason	Description
 Pragmatic reasons	Fear or common sense makes people or administrators seek to avoid a problem.
 Desire to save costs	It may be better to avoid problems or counter them than suffer the consequences: pollution, species extinction, human deaths, costly litigation. There may be advantages in waste recovery, energy conservation and maintaining environmental quality.
 Compliance	Individuals, local government, companies, states and so on may be required by laws, national and international agreements to take care of the environment.
 Shift in ethics	Individuals, local government, houses, individuals and group of activities may trigger new attitudes, agreements and laws.
 Macroeconomics	Promotion of environmental governance may lead to economic expansion : a market for pollution control equipment, use of recovered waste, more secure and efficient energy and raw materials supply; there may be advantages of internalising the externalities, there are and numerous animals.

Environmental governance needs to modify the activities and ethics of individuals, groups and societies to achieve its goals. Generally, the following approaches may be embraced in this regard:

Advisory

- *Through educations*
- *Through demonstrations (model farms or factories)*
- *Through the media (advertisement or covert approaches – the latter includes subtle messages incorporated in the environment)*
- *Through advice (leaflets, drop in shops, helplines).*

Economic or fiscal

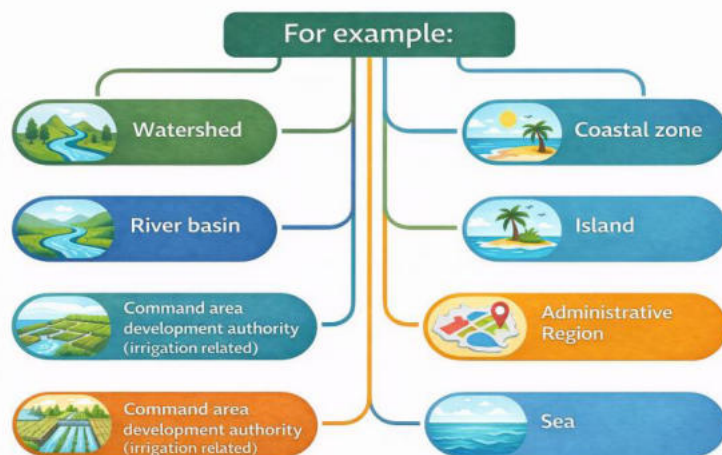
- *Through taxation (green taxes)*
- *Through grants, loans and aids*
- *Through subsidies*
- *Through quotas or trade agreements.*

Regulatory

- Through standards and laws
- Through restrictions and monitoring
- Through licensing
- Through zoning (restricting activities to a given area).

The environmental managers may be more or less anthropocentric or eccentric, more or less green, more or less supportive of technology. There is also a wide spectrum of political and philosophical stances which have been taken into consideration.

- **Adhoc Approach:** Approach developed in reaction to a specific situation.
- **Problem solving approach:** It follows a series of logical steps to identify problems and need to implement the solutions.
- **Systems approach:**
Ecosystem (mountain; high latitude; savanna; desert; island; lake and so on.
Agro-ecosystem.
- **Regional approach:** Mainly ecological zones or bio geophysical units, which may be sometimes international (involves different states for example an internationally shared



riverbasin).

- **Specialist Discipline Approach**



- **Strategic Environmental Management Approach**
- **Voluntary Sector Approach:** Environmental Management by or encouraged and supported by NGOs for example:
 - Debt for nature swaps
 - Private reserves
 - 'Ginger groups' which try to prompt environmental management
 - Private funding for research or environment management
- **Commercial Approach:** Environment management for business/public bodies
 - Political economy or political ecology approach
 - Human ecology approach.

SUSTAINABLE DEVELOPMENT

Sustainable development is the development that meets the needs of the present without compromising the ability of future generations to meet their own needs. The theme of sustainability can be integrated and implemented 'through the pursuit of environmental and social responsibility in a bank's operations through environmental initiatives such as recycling programs or improvements in energy efficiency and socially responsible

initiatives, for instance support for cultural events, improved human resource practices and charitable donations' (*International Institute for Sustainable Development, 2013*).

Before the 1950s the prevailing viewpoint in the west was that humans could and should modify the nature to their advantage and the environment was virtually limitless and resilient. Nature was to be studied, catalogued, tamed and exploited. The frontier was still open with land to settle and relatively few signs of environmental stress, other than localised population and some loss of biodiversity. The pre 1960 outlook, still not fully extinguished was essentially mechanistic – that nature was relatively easy to understand, model and control – like 'clockwork' and there was little awareness of complexity, vulnerability and limitations of earth's ecosystem. In 1965 US Ambassador to the UN, Adlai Stevenson popularised the catch phrase 'Spaceship Earth' which became icon for many. It represented the world as a fragile, unique, closed environment in which the first-class passengers (the developed countries and other rich people) were greedy and profligate and the more numerous lower-class passengers (the growing stress) were multiplying beyond the life support capacity. Neither first nor lower class passengers were in control and both were vulnerable to each other.

Although the concept was first voiced in the early 1970s (by the World Council of Churches in 1974), serious interest in sustainable development was limited before publications such as *The Limits to Growth* in 1972 and *Schumacher's Small is Beautiful* in 1973. After that it seemed to offer a way to heed limits and develop (have economic growth) – preferable to 'zero growth' (Meadows et al, 1972)

Sustainable development has three component goals: economic development (specially reduction of poverty, inequality and unemployment) ; social development and environmental protection.

There are two overlapping areas of sustainable development: One focuses on its meaning and the second on practical aspects (implementation). A goal of sustainable development may be used to help integrate diverse interests that would probably not otherwise cooperate. Even if it is achieved in only a limited way, it may nevertheless prove to be valuable 'guides for development'.

So, **sustainability is the quantification of status and progress (environmental or social) and the goal of the sustainable development process.** Ecologists, fisheries managers, foresters and

biologists developed measures such as carrying capacity and maximum sustainable yield by the 1940s – the idea being that an ecosystem can sustain a given level of demand.

It should be noted that even if demand is sustainable, unexpected environmental changes may upset things. Those seeking sustainability often assume steady demands, which may not be the case. Sustainable development to many implies increasing demands in order to improve wellbeing and life styles and probably in the foreseeable future to cope with a growing population. Perhaps there will be some leeway if new technology, altered tastes and substitution of resources enable increasing demand to be met without greater environmental impact – many hopes so. Environmental economists split sustainable development into two (unsatisfactory) extremes: strong and weak.

- **Strong** – Believe that the existing stock of natural capital should be maintained or improved. Rejection of strategies such as substitution (for example – not burning oil, which is non-renewable and then invest some of the profit in sustainable energy sources such as wind generators). The same amount of natural capital is passed on to future generations. Human misery is acceptable as a cost of reaching sustainable development. This means development must be based on natural capital that can be regenerated.
- **Weak** – The costs of attaining sustainable development are carefully weighted in human terms – unpleasant impacts are resisted, even if sustainable development is delayed or endangered. Substitution is possible if it is permissible to trade natural capital though substitution (future generations receive about the same total capital but it may have been changed). What cannot yet be substituted is protected. Broadly this view point concedes that existing economics and development strategies may be used.

There is also a split in opinion as to whether sustainable development can be achieved gradually or demands rapid and radical changes (ethical, habits and economics). Sustainable development may be pursued at local, regional, national and super national levels, the approach being 'top down' or participatory. It is possible for a region, city, country and company to win a false sustainable development at the expense of somewhere else. For example – a town improves its sewage pollution by dumping it far away; or a poor nation may bear the environmental impacts

of resource processing which rich consumers do not – this is a sort of export of unsustainable development.

Sustainable development is widely held to have three goals-economic growth, environmental protection and health as well happiness of the people. Plenty of academicians have noted the conflict within the concept of sustainable development – between wishing to remain within the environmental limits and seeking growth and development. Supporters of sustainable development do not pursue environmental quality in isolation from addressing social disintegration and poverty. Tough environmental standards are not acceptable if they cause poverty or for richer people a resented decline in the wellbeing.

ENVIRONMENTAL PROTECTION INITIATIVES BY INTERNATIONAL ORGANIZATIONS

Global Compact

Global Compact was launched in 2000 to bring companies together with UN agencies, labour, and civil society to support ten principles in the areas of human rights, labour and the environment, and anti-corruption. The UN Global Compact is a strategic policy initiative for businesses that are committed to aligning their operations and strategies in the area of the human rights, labour, environment and anti-corruption.

The ten principles of the Global Compact are provided below:

Human Rights

Principle 1: The support and respect of the protection of international human rights.

Principle 2: The refusal to participate in or condone human rights abuses

Labour

Principle 3: The support of freedom of association and the recognition of the right to collective bargaining

Principle 4: The abolition of compulsory labour

Principle 5: The abolition of child labour

Principle 6: The elimination of discrimination in employment and occupation.

Environment

Principle 7: The implementation of a precautionary and effective approach to environmental issues.

Principle 8: Initiatives that demonstrate environmental responsibility

Principle 9: The promotion of the diffusion of environment friendly technologies.

Anti-Corruption

Principle 10: The promotion and adoption of initiatives to counter all forms of corruption, including extortion and bribery.

The United Nations Global Compact (UNGC) publishes annually the Global Corporate Sustainability Report (GCSR) which provides a tracking of the signatories' compliance with the principles over time. Compliance is a process, not an event. The importance of the structure though lies in the fact that it provides an internal compass for companies as they seek to find the alignment within or between internal and external stakeholders that promotes sustainability. The tracking helps to point out the principles which pose the greatest compliance challenges and over time can become a useful input for regulators and policymakers who obviously have a strong interest in corporate sustainability since it feeds directly into sustainable development. One interesting issue highlighted by the GCSR of 2013 is that, notwithstanding the willingness of the companies, both large and small to sign on to the compact, it is extremely difficult to monitor and enforce adherence to the principles along the entire supply chain. Companies always have to deal with the tradeoffs in relation to costs, reliability of delivery and so on. When they develop their supply chains and it is difficult to enforce the conditionality of compliance with the principles of the compact once the chain is in place. However, over time, companies that are committed to the principles will presumably nudge and push their suppliers into compliance. Even if not all producers sign on to the compact, there will be a positive externality from the sustainability viewpoint as more and more producers particularly small and medium sized ones find that it actually helps their businesses do better.

Critical requirement for sustainability reporting is information. Sustainability reporting discloses the company's policies and actions with reference to an Environmental-Social-Governance (ESG) template. It can be used in conjunction with standard financial report to make a comprehensive assessment of the company's overall balancing of stakeholder interests. Since information is the main input into investment decisions, these reports provide the basis for the two financial pillars of the architecture. All stakeholders need to know what the organization is doing with respect to their and other's interests. Every policy decision or action taken by a company can potentially help or hurt the interest of one or other stakeholder group. GRI is a structure that facilitates that facilitates this level of transparency and disclosure by companies. It lays out guidelines for sustainability reporting, which allows all stakeholders to compare and contrast across companies, not just within a country but across them as well.

Principles for Responsible Investment

Oulton (2007: 40) explained that Socially Responsible Investments (SRIs) considers the traditional method of measuring business growth by share value, evaluating performance of the company by Return on Capital Employed, analyzing prospects and scope of the company by future plans and probability to achieve or accomplish the plans.

Simultaneously SRIs incorporates a further dimension of responsibility or impact of the business in ethical and environmental areas as well as sustainability and governance of the business. The structure of Principles for Responsible Investment (PRI) was set up in 2006, as a partnership between the United Nations Environmental Program Finance Initiative (UNEPFI) and the UN Global Compact (UNGC). The Mode of operation is essentially the same as the UNGC, in the sense that the signatories commit to carrying out their business in compliance with some core principles.

The difference is targeting group. The signatories to the PRI are essentially fund managers – large, small, long term, short term – the whole range of entities that manage money is included. There are six principles in this structure which essentially require investors should put emphasis on ESG criteria while making their portfolio choices. They also agree to take active interest in the practices and compliance with the ESG standards by the companies they invest in and

encourage them to comply with the reporting standards of the GRI. Six Principles for Responsible Investment are provided below.

Principle 1: We will incorporate ESG issues into investment analysis and decision-making processes

Possible Actions:

- Address ESG issues in investment policy statements.
- Support development of ESG-related tools, metrics, and analyses.
- Assess the capabilities of internal investment managers to incorporate ESG issues.
- Assess the capabilities of external investment managers to incorporate ESG issues.
- Ask investment service providers (such as financial analysts, consultants, brokers, research firms, or rating companies) to integrate ESG factors into evolving research and analysis.
- Encourage academic and other research on this theme.
- Advocate ESG training for investment professionals.

Principle 2: We will be active owners and incorporate ESG issues into our ownership policies and practices.

Possible Actions:

- Develop and disclose an active ownership policy consistent with the Principles.
- Exercise voting rights or monitor compliance with voting policy (if outsourced).
- Develop an engagement capability (either directly or through outsourcing).
- Participate in the development of policy, regulation, and standard setting (such as promoting and protecting shareholder rights).
- File shareholder resolutions consistent with long-term ESG considerations.
- Engage with companies on ESG issues.
- Participate in collaborative engagement initiatives.
- Ask investment managers to undertake and report on ESG-related engagement.

Principle 3: We will seek appropriate disclosure on ESG issues by the entities in which we invest.

Possible Actions:

- Ask for standardised reporting on ESG issues (using tools such as the Global Reporting Initiative).
- Ask for ESG issues to be integrated within annual financial reports.
- Ask for information from companies regarding adoption of/adherence to relevant norms, standards, codes of conduct or international initiatives (such as the UN Global Compact).
- Support shareholder initiatives and resolutions promoting ESG disclosure.

Principle 4: We will promote acceptance and implementation of the principles within the investment industry.

Possible Actions:

- Ask for standardised reporting on ESG issues (using tools such as the Global Reporting Initiative).
- Ask for ESG issues to be integrated within annual financial reports.
- Ask for information from companies regarding adoption of/adherence to relevant norms, standards, codes of conduct or international initiatives (such as the UN Global Compact).
- Support shareholder initiatives and resolutions promoting ESG disclosure.

Principle 5: We will work together to enhance our effectiveness in implementing the principles.

Possible Actions:

- Support/participate in networks and information platforms to share tools, pool resources, and make use of investor reporting as a source of learning.
- Collectively address relevant emerging issues.
- Develop or support appropriate collaborative initiatives.

Principle 6: We will each report on our activities and progress towards implementing the principles.

Possible Actions:

- Support/participate in networks and information platforms to share tools, pool resources, and make use of investor reporting as a source of learning.
- Collectively address relevant emerging issues.

SUSTAINABLE DEVELOPMENT GOALS (SDG)

The 2030 Sustainable Development Goals Agenda for Sustainable Development, with 17 Sustainable Development Goals (SDG) at its core, adopted by all United Nations Member States in 2015, provides a shared blueprint for peace and prosperity for people and the planet, now and into the future. At its heart are the 17 Sustainable Development Goals (SDGs), which are an urgent call for action by all countries - developed and developing - in a global partnership. They recognize that ending poverty and other deprivations must go hand-in-hand with strategies that improve health and education, reduce inequality, and spur economic growth - all while tackling climate change and working to preserve our oceans and forests.

17 Sustainable Development Goals are as under:

SDG 1	End Poverty
SDG 2	Zero hunger
SDG 3	Good health and well-being
SDG 4	Quality Education
SDG 5	Gender equality
SDG 6	Clean water and sanitation
SDG 7	Affordable and clean energy
SDG 8	Decent work and economic growth
SDG 9	Industry, innovation and infrastructure
SDG 10	Reduced inequalities
SDG 11	Sustainable cities and economies

SDG 12	Responsible consumption and production
SDG 13	Climate action
SDG 14	Life below water
SDG 15	Life on land
SDG 16	Peace, justice and strong institutions
SDG 17	Partnership for the goals

VARIOUS ENVIRONMENTAL INITIATIVES OF GOVERNMENT OF INDIA

National Guidelines on Responsible Business Conduct' (NGRBCs)

The philosophy of giving back to the society is embedded in India's culture, which has been exhibited by traditional Indian business houses since time immemorial. In order to integrate this into the core business of philosophy, the Government has obligated companies to shoulder responsibility for the society by incorporating it as a part of the fiduciary duties of a director. Besides, this universal obligation across all categories of companies, those meeting certain threshold in terms of turnover, networth and net profits are obligated to set apart two percent of their net profit for corporate social responsibility activities.

Responsible Business Conduct is a globally recognized concept founded on the idea that businesses can perform better when involved in revitalizing the society from which they extract resources for production. The National Guidelines on Responsible Business Conduct, 2018 (NGRBC), which is an improvement over the existing National Voluntary Guidelines on Social, Environmental & Economic Responsibilities of Business, 2011 (NVGs), are a means of nudging businesses to contribute towards broader development goals while seeking to maximize their profits. The NGRBC intends to not just make companies more responsible and accountable but also to create a whole ecosystem to 'Protect I, Respect I & 'Remedy' as envisaged in the UNGPs (United Nations Guiding Principles on Business and Human Rights).

The Government had adopted nine areas/principles of Business Responsibility and the same has been provided below.

Principle 1: Business should conduct and govern themselves with integrity, and in a manner that is ethical, transparent, and accountable

This principle recognizes that ethical behaviour in all operations, functions and processes, is the cornerstone of businesses guiding their governance of economic, social and environmental responsibilities. The principle emphasizes that disclosures on business decisions and actions that impact stakeholders form the fundamental basis of operationalizing responsible business conduct and should be accessible to all relevant stakeholders.

It recognizes that businesses are an integral part of society and that they will hold themselves accountable for the effective adoption, implementation, and the making of disclosures on their performance with respect to the Core Elements of these Guidelines.

Principle 2: Businesses should provide goods and services in a manner that is sustainable and safe

The principle emphasises that businesses have to focus on safety and resource-efficiency in the design and manufacture of their products. These products have to be manufactured in such a way, by which it creates value by minimising and mitigating its adverse impacts in the environment and society through all stages of its life cycle, from design to final disposal. This principle encourages businesses to understand every material sustainability issues across their product life cycle and value chain.

Principle 3: Businesses should respect and promote the well-being of all employees, including those in their value chains

The principle encloses all policies and practises that are about the equity, dignity and well-being and the provision of decent work, for every employee that who are engaged within a business or in its value chain, without any discrimination and in a way that contributes to the diversity. The principle identifies the well-being of an employee and the welfare of his/her family.

Principle 4: Businesses should respect the interests of and be responsive to all its stakeholders

This principle recognises the businesses operate in an eco-system that consists of some stakeholders, being shareholders and investors and their activities affect natural resources,

habitats, communities and the environment. The principle brings into light that businesses have a responsibility to maximise the positive effects and minimise and mitigate the negative impacts of the products, operations and operations and practises on their stakeholders.

Principle 5: Businesses should respect and promote human rights.

This principle identifies the human rights are rights that have to be inherent to all human beings and these guidelines are applied without discrimination. These human rights are considered to be inherent, inalienable, interrelated, interdependent and indivisible. This principle is inspired, informed and guided by the Constitution of India and the International Bill of Rights, and recognises the primacy of the State's duty to protect and fulfil human rights.

Principle 6: Business should respect and make efforts to protect and restore the environment.

This principle gives preference to environmental issues that are interconnected at the local, regional and global levels doing businesses to address the problems like pollution, biodiversity conservation, sustainable use of natural resources and climate change in a comprehensive and systematic manner. The principle encourages firms to adopt environmental practises and processes that minimise or eliminates the harmful effects of their operations across the value chain. Moreover, it also persuades businesses to follow the Precautionary Principle in all its actions.

Principle 7: Businesses, when engaging in influencing public and regulatory policy, should do so in a manner that is responsible and transparent.

This principle concedes that businesses operate within a specified national and international legislative and policy frameworks that guide their growth and also provides specific restrictions and boundaries. The principle recognises the legitimacy of businesses to engage with governments for redressal of a grievance or for influencing public policy. In addition to this, the law demands that public policy advocacy has to expand public good.

Principle 8: Businesses should promote inclusive growth and equitable development..

The principle identifies the challenges of the social and economic development that are faced by the country and enhances the national and development agenda according to the government policies and priorities. This is significant in zones that are affected by social disharmony and low human development. The principle mentioned the need for collaboration amongst businesses, government agencies and civil society in this development agenda.

Principle 9: Businesses should engage with and provide value to their consumers in a responsible manner.

The principle is based on the fact that the primary aim of a business entity is to supply goods and services to its consumers that are safe to use, creating value for both. It recognises consumers having freedom of choice for the usage of goods and services, and the enterprises strive to provide the products that are safe, competitively priced, easy to use and safe to dispose of, for the benefit of their consumers. The businesses play a significant role with other relevant stakeholders, in mitigating the adverse effects from excessive consumption of its products that have overall well-being of individuals and society.

BUSINESS RESPONSIBILITY AND SUSTAINABILITY REPORTING (BRSR)

In recent times, adapting to and mitigating climate change impact, inclusive growth and transitioning to a sustainable economy have emerged as major issues globally. There is an increased focus of investors and other stakeholders seeking businesses to be responsible and sustainable towards the environment and society. Thus, reporting of company's performance on sustainability related factors has become as vital as reporting on financial and operational performance.

Business Responsibility and Sustainability Reporting is a reporting framework by the Securities and Exchange Board of India (SEBI) under SEBI (Listing Obligations and Disclosure Requirements) Regulations for the top 1,000 listed companies in India. The BRSR seeks disclosures from listed entities on their performance against the nine principles of the 'National Guidelines on Responsible Business Conduct' (NGRBCs) and reporting under each principle is divided into essential and leadership indicators. The essential indicators are required to be reported on a mandatory basis while the reporting of leadership indicators is on a voluntary basis. Listed entities should endeavour to report the leadership indicators also.

The BRSR is intended towards having quantitative and standardized disclosures on ESG parameters to enable comparability across companies, sectors and time. Such disclosures will be helpful for investors to make better investment decisions. The BRSR shall also enable companies to engage more meaningfully with their stakeholders, by encouraging them to look beyond financials and towards social and environmental impacts.

SEBI BRSR Core

The BRSR Core is a sub-set of the BRSR, consisting of a set of Key Performance Indicators (KPIs)/metrics under 9 ESG attributes. Keeping in view the relevance to the Indian/Emerging market context, few new KPIs have been identified for assurance such as job creation in small towns, open-ness of business, gross wages paid to women etc. Further, for better global comparability intensity ratios based on revenue adjusted for Purchasing Power Parity (PPP) have been included.

In order to facilitate the verification process, the BRSR Core specifies the data and approach for reporting and assurance. It is however clarified that the approach specified is only a base methodology. Any changes or industry specific adjustments/estimations shall be disclosed. For ease of reference, the BRSR Core contains a cross-reference to the disclosures contained in the BRSR. From FY 2023 – 2024, the top 1000 listed entities (by market capitalization) shall make disclosures as per the updated BRSR format, as part of their Annual Reports.

Listed entities shall mandatorily undertake reasonable assurance of the BRSR Core, as per the glide path specified in the following table:

Financial Year	Applicability of BRSR Core to top listed entities (by market capitalization)
2023 – 24	Top 150 listed entities
2024 – 25	Top 250 listed entities
2025 – 26	Top 500 listed entities
2026 – 27	Top 1000 listed entities

ESG Debt Securities

India's capital markets are undergoing a critical evolution. With the release of SEBI's new Framework for ESG Debt Securities (excluding green bonds), the labelling and issuance of social, sustainability, and sustainabilitylinked bonds has entered a new era of regulation, integrity, and global alignment. As demand for ESG investing surges and international standards become more rigorous, India's move signals a shift from voluntary ESG claims to verifiable financial accountability.

In recent years, the global financial landscape has witnessed an unmistakable shift. No longer is capital allocation driven solely by profit margins and short-term gains. Increasingly, it is being guided by environmental, social, and governance (ESG) considerations that reflect a deeper concern for sustainability, equity, and longterm resilience. In this context, the regulatory evolution of financial instruments like green bonds, social bonds, and sustainability-linked bonds (SLBs) has become a key focus for forward-thinking economies.

On June 5, 2025, the Securities and Exchange Board of India (SEBI) introduced a comprehensive **Framework for ESG Debt Securities (other than green debt securities)**—a landmark move designed to bolster credibility, transparency, and global alignment in India's fast-evolving sustainable finance ecosystem.

This new framework signals India's regulatory maturity in the ESG space. While green bonds already have an established regulatory track under SEBI's 2017 framework (updated in 2023), this marks the first time that **social bonds, sustainability bonds, and SLBs** receive dedicated regulatory attention. These instruments are essential for financing not just environmental goals, but also inclusive development, gender equity, access to health and education, and broader corporate accountability.

For issuers, investors, and reviewers, this move represents a timely and strategic leap forward, paving the way for India's domestic ESG bond market to scale up responsibly and compete with international standards.

The SEBI ESG Debt Framework, released via Circular SEBI/HO/DDHS/DDHS-POD-1/P/CIR/2025/84, introduces a structured set of regulatory requirements for the issuance of

ESG-labelled bonds in India, excluding green bonds which are governed under a separate regime. The new framework covers three categories of instruments:

At its core, the framework aims to eliminate “purpose-washing” and bring enhanced scrutiny to ESG-labelled instruments by making **disclosure, alignment, and third-party assurance** central pillars of ESG bond issuance. It sets forth obligations at each phase of the bond lifecycle – **pre-issuance, post-issuance, and ongoing reporting** – with tailored guidance for each instrument type.

Key Highlights of the Framework:

- **Eligibility and Labelling:** Only those debt securities that align with globally recognized standards (e.g. ICMA Principles, Climate Bonds Standard, ASEAN standards) may be labelled as “Social,” “Sustainability,” or “SLB” bonds.
- **Use of Proceeds:** Issuers must clearly define and justify how proceeds will be allocated. In the case of social bonds, SEBI identifies six priority categories for eligible use, including affordable infrastructure, essential services access, employment generation, food security, and socio-economic empowerment.
- **Mandatory Disclosures:** Issuers are now required to submit detailed disclosures outlining the selection criteria, project objectives, target populations, and decision-making processes prior to issuance. For SLBs, disclosures must include sustainability strategies, KPIs, and performance targets.
- **Third-Party Verification:** Independent third-party reviewers must be appointed both pre- and postissuance. These reviewers are responsible for confirming alignment with recognised frameworks, verifying internal controls, and evaluating the integrity of performance-based instruments like SLBs.
- **Post-Issuance Transparency:** Annual reporting obligations include detailed updates on the deployment of funds, progress on KPIs (for SLBs), and explanations for any unutilized proceeds.

Social Stock Exchanges

Hon'ble Finance Minister Smt. Nirmala Sitharaman as part of the Budget Speech for FY 2019-20 proposed the idea of an electronic fund-raising platform "Social Stock Exchange" (SSE), under the regulatory ambit of SEBI for listing social enterprises and voluntary organizations working for the realize.

Social Stock exchange is mechanism where social enterprises, NGOS and voluntary organisations and donors of social projects interact with each other. SSE is an electronic fund-raising platform under the surveillance of the SEBI for listing social enterprises and voluntary organizations so that they can raise capital as equity, debt or as units like a mutual fund.

The SEBI (Securities and Exchange Board of India) Report, suggests the SSE allows Indian non profit organisations to list securities, creating a dedicated platform for fund raising and reducing reliance on ad hoc funding. Operating as a separate segment within existing stock exchanges, it encourages socially minded investors to diversify their portfolios, fostering a robust social securities market in the country.

The National Stock Exchange (NSE) and the BSE (formerly called as the Bombay Stock Exchange) play pivotal roles as the platforms facilitating the operation of the SSE. They support the listing of eligible Not-for Profit Organisations (NPOs) and For-Profit Social Enterprises (FPEs), enabling them to raise funds through innovative financial instruments. It emphasises transparency, accountability, and efficiency to ensure that NPOs and social enterprises can achieve their funding and impact goals effectively.

Objectives of the Social Stock Exchange (SSE):

- Regulated platform that brings together social enterprises and donors
- Facilitate funding and growth of social enterprises
- Enabling mechanism to ensure robust standards of social impact and financial reporting

Benefits for Non-Profit Organizations (NPOs)

- Diversity Funding Opportunity:** SSE offers an alternative fundraising avenue for NPOs, providing opportunities for new funding sources to help the NPOs to expand

organisational reach and maximise impact, thus addressing the challenge of limited financing.

ii) **Enhanced Visibility and Access:** SSE listing boosts brand visibility for NPOs, providing national recognition. Early registrants gain sector prominence, while SSE listing on the NSE/BSE website opens access to capital through impact investing, philanthropy and government funding.

iii) **Building Credibility:** Being listed on SSE validates an NPO's regulatory compliance and impact reporting frameworks, fostering trust and attracting socially conscious investors and partners within and outside the platform due to recognised due diligence processes.

ENVIRONMENTAL IMPACTS ASSESSMENT

There is no universal definition of what exactly environment impact assessment (EIA) is. So, it is treated as a generic term for process which seeks to blend administration, planning, analysis and public involvement in pre decision assessment. A shorter explanation might be 'an approach which seeks to improve development by a priori assessment'. Impact may be defined as the difference between a forecast of the future with a development occurring and a forecast without the development. EIA has the following features

- It is proactive assessment and should be initiated pre-project/program/policy before development decisions are made. In-project/programme/policy and post-project/programme/policy assessments are common. While these may not allow much problem avoidance, they can advise on problem mitigation, gather data, feed into future impact assessment, improve damage control and the exploitation of unexpected benefits.
- It is a systematic evaluation of all significant environmental (including social and economic) consequences that an action is likely to have upon the environment.
- It is a process leading to a statement to guide decision makers.
- It is a structured, systematic and comprehensive approach.
- It is a learning process and means to find the optimum development path.
- It is a process by which information is collected and assessed to determine whether it is wise to proceed with a proposed development.

- It is an activity deigned to identify and predict the impacts of an action on the biological environment and on human health and well-being and to interpret and communicate information about such impacts.

Identifying consequences of a proposed activity is common sense rather than a revolutionary idea. There are a number of approaches running parallel and sometimes overlapping with broadly similar goals, frequently exchanging information, techniques and methods. These include social impact assessment (SIA), hazard assessment, risk assessment, technology impact.

India's Environmental Initiatives Scenario

Area	Summary Points
Energy Transition	Utilisation of coal power plants is declining and coal mines are underused, yet India continues expanding coal mining in ecologically fragile areas. Indian coal is highly polluting and inefficient, and new coal mines risk becoming stranded assets as renewable energy prices fall. India requires long-term plans till 2070 to phase out inefficient plants and limit new coal capacity for a 1.5°C pathway. Subsidies for fossil fuels are much higher than for renewables, though schemes like FAME and e-Amrit promote EV adoption. Renewable commitments are based on installed capacity, while actual generation still depends heavily on coal. A clear financial and time-bound roadmap is needed for transition from coal to renewables.
Carbon Sink	India is increasing forest and tree cover through initiatives such as Green India

	Mission, green highways policy, financial incentives for forests and river plantations. It has committed to restore 26 million hectares of degraded land under the Bonn Challenge and to sequester an additional 2.5–3 billion tons of CO₂ by 2030. Achieving these targets requires adequate funding for forest conservation and reforestation.
Adaptation	India established a National Adaptation Fund in 2015-16 to support climate adaptation in key sectors. Climate change poses serious risks to agriculture, which supports about 60 percent of the population and national food security. Existing programs like on-farm water management and soil health initiatives need scaling and redesigning. Strong farmer skill development programs and financial security mechanisms are required to enable adoption of climate-friendly practices such as agroecology, crop diversification, organic fertilisers, plant-based agriculture and alternative proteins.
Carbon Credit Trading Scheme (CCTS)	India notified the Carbon Credit Trading Scheme in June 2023 to reduce emission intensity and create the Indian Carbon Market with an institutional framework including the National Steering Committee. The scheme was amended in December 2023 to introduce an Offset Mechanism, allowing voluntary participation of non-obligated entities in climate mitigation projects.

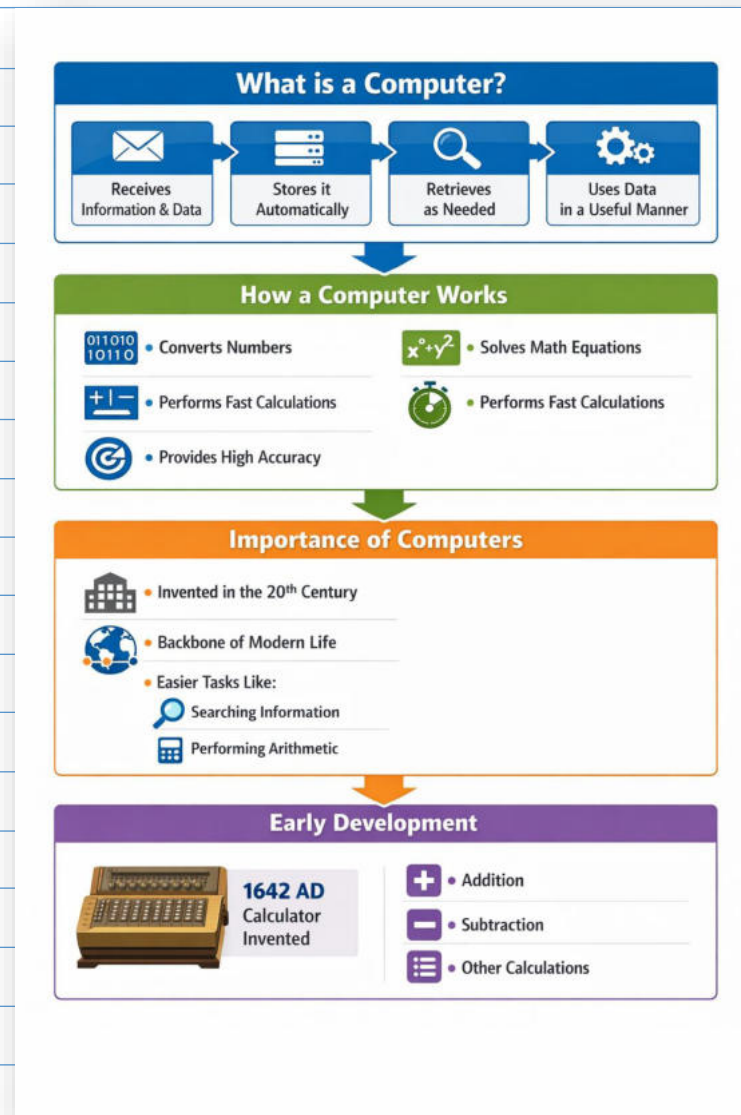
The Carbon Credit Trading Scheme (CCTS) in India is a mechanism designed to reduce greenhouse gas (GHG) emissions through carbon pricing. It involves two key elements: a compliance mechanism for obligated entities (primarily industrial sectors) and an offset mechanism for voluntary participation. The CCTS aims to incentivize and support entities in their efforts to decarbonize the Indian economy. CCTS laid the foundation for the Indian Carbon Market (ICM) by establishing the institutional framework.

Carbon pricing is a policy tool that puts a financial cost on greenhouse gas emissions, primarily carbon dioxide, to incentivize reductions in pollution and promote a shift towards cleaner energy sources. It works by making emitters pay for the environmental damage caused by their pollution, encouraging them to reduce emissions.

India is rapidly advancing toward a **structured and regulated carbon pricing ecosystem** as part of its broader climate and sustainable development agenda. Against the backdrop of increasing global emphasis on carbon markets and emissions trading, India is now actively developing a **rate-based Emissions Trading System (ETS)**¹ and associated **voluntary carbon crediting mechanisms**.

CHAPTER 6: AI & BUSINESS ENVIRONMENT

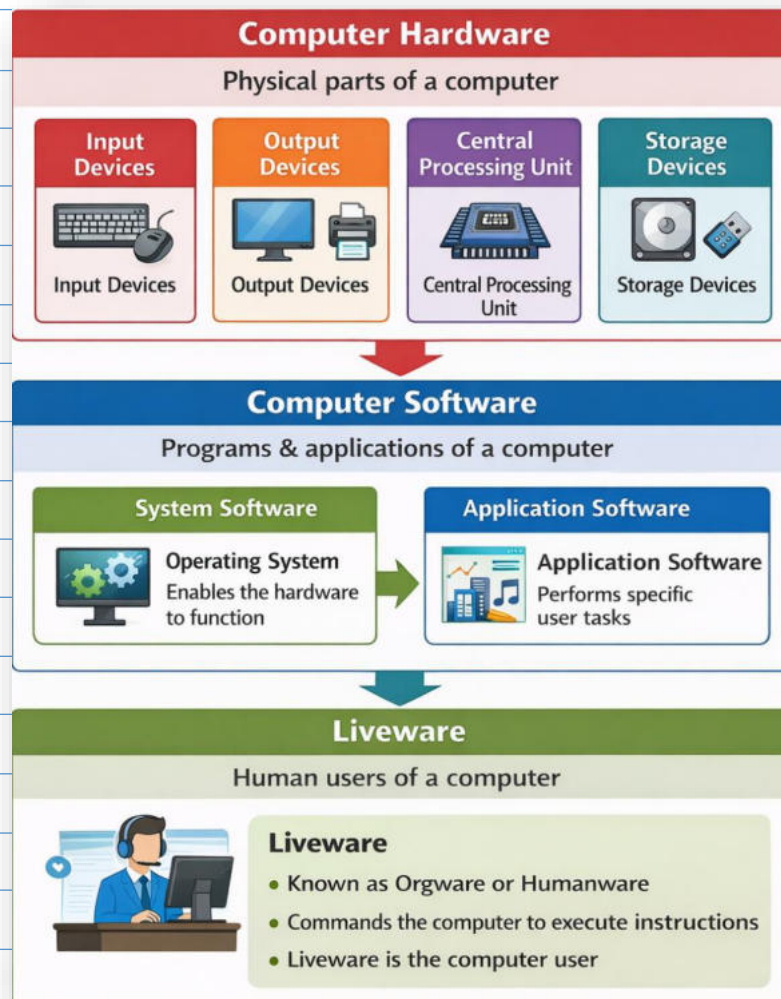
COMPUTERS: A VITAL TOOL IN TODAY'S DIGITAL WORLD



Computer use is common in homes, institutions, businesses, and education, it is also an integral part of the services, entertainment, and other sectors.

Components Of Computer System

From the computer system perspective, the computer can be defined as a collection of entities (hardware, software, and liveware) that are designed to receive, process, manage, and present information in a meaningful format.



A computer system is composed of hardware and software components. **Hardware is the external physical components of the computer which can be touched by users.** Examples of hardware include desktop, printer, mouse, etc. On the other hand, software refers to set of instructions which enable the hardware components to perform. Examples include Windows, Linux, MS Word, PowerPoint, MS Excel, etc. Software, thus, can be referred to as a "set of instructions" which direct the hardware to do a particular task and specifies the manner in which the said task must be accomplished.

The concept of software rests on the basic principle of:

INPUT → PROCESS → OUTPUT →

The input fed into the computer through the hardware device is programmed by the software to produce the desired result or output.

The difference between software and hardware has been discussed in detail below:

Hardware	Software
It is the physical parts of the computer which process the data.	It is the collection of instructions which directs the computer as to 'which' task to perform and 'how' to perform it.
Hardware is unable to perform any task without the support of software.	Software can only be run and executed in computer hardware.
Hardware	Software
It understands only machine-level language.	It accepts inputs by users, converts it into machine-level language which is then sent to Hardware for processing.
It can be seen, felt and touched.	It can only be seen and cannot be touched.
Examples: Monitor, Hard disk, CPU, Keyboard, Printer, Mouse, etc.	Examples: Windows, Linux, MS PowerPoint, MS Excel, etc.

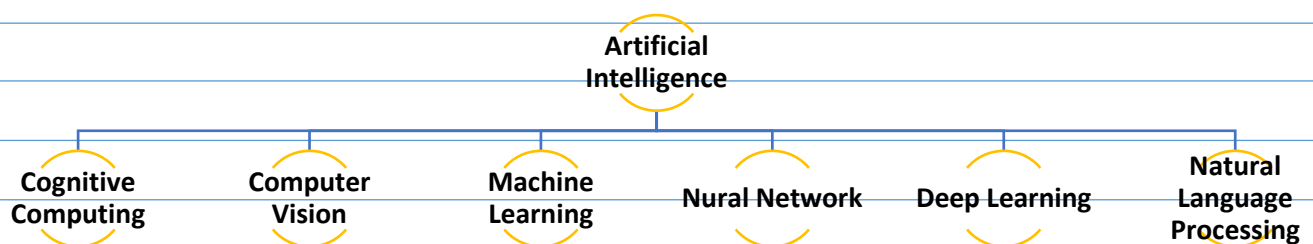
ARTIFICIAL INTELLIGENCE

Artificial Intelligence ("AI") is a branch of computer science and engineering that focuses on developing devices and programmes that are capable of carrying out operations that ordinarily call for human intellect, such as comprehending natural language, identifying objects, and forming judgements. As per the Investopedia, Artificial Intelligence (AI) is defined as the simulation of human intelligence by software-coded heuristics. Nowadays this code is prevalent in everything from cloud-based, enterprise applications to consumer apps and even embedded firmware.

Depending on the situation, several interpretations of AI's significance can be made. The capacity of computers to display intelligent behaviour, such as learning, thinking, and problem-

solving, is at the heart of Artificial Intelligence (AI). Yet, the technology or environment in which AI is utilised can also have an impact on what it means.

Artificial Intelligence, for instance, pertains to a machine's capacity to comprehend and produce human language in the context of natural language processing. Artificial Intelligence (AI) can also refer to a machine's capacity to comprehend and engage with the physical environment.



Artificial Intelligence: Characteristics

The goal of Artificial Intelligence (AI), which is an interdisciplinary study, is to develop intelligent computers that can carry out activities that ordinarily require human intelligence. AI aims to create robots that can reason, learn, and understand like humans, and that are able to solve challenging issues and adapt to evolving circumstances.

The ideal characteristic of artificial intelligence is its ability to rationalize and take actions that have the best chance of achieving a specific goal. A subset of artificial intelligence is Machine Learning (ML), which refers to the concept that computer programs can automatically learn from and adapt to new data without being assisted by humans. Deep learning techniques enable this automatic learning through the absorption of huge amounts of unstructured data such as text, images, or video.

Several sectors, including healthcare, banking, transportation, and entertainment, can benefit from the use of AI. For instance, AI-powered autonomous cars can increase transportation safety and efficiency while AI-powered medical imaging technologies can assist doctors in providing more precise diagnoses.

Evolution of Artificial Intelligence

John McCarthy, the founder of artificial intelligence, provided the original definition of the word in 1955, essentially stating: "The goal of AI is to develop machines that behave as though they were intelligent".

The science of Artificial Intelligence (AI), which is expanding quickly, is transforming the manner we operate, live, and interact with the environment. The creation of computer systems with Artificial Intelligence (AI) is what allows them to do things like understand language, acquire, organize, solve problems, and make decisions— tasks that would ordinarily need human intellect.

Although the idea of artificial intelligence has been known since the 1950s, it has only recently gained widespread recognition. AI is currently employed in a wide range of industries, from voice assistants like 'Siri' and 'Alexa' to self-driving automobiles and medical diagnosis, owing to developments in machine learning and deep learning.

The study of Artificial Intelligence (AI) spans a wide range of technologies and methodologies. Building systems that can acquire information and adjust to changing conditions is at the heart of artificial intelligence. A mix of algorithms, data processing methods, and numerical simulations are used to do this.

The fact that AI is clever by design itself is another important feature. This intelligence may manifest itself in a variety of ways, from the capacity to spot data trends to the capacity for deliberation and judgement. Although it is the eventual objective of AI, there is still a long way for development of machines that can replicate human intellect.

Examples of Artificial Intelligence

AI is used in different types of technologies. For example,

Machine Learning: It helps computers act without the need for programming. There are three types of machine learning.

Supervised learning: Patterns can be recognized using labeled data sets and then used to label new data sets.

Unsupervised learning: Data sets can be sorted according to how similar or different they are.

Reinforcement learning: The AI system is given feedback after actions are performed.

Automation: Tasks can be enhanced when automation tools are coupled together with AI. Big enterprise jobs can be automated while the intelligence from AI is passed on to process changes.

Machine Vision: Machine Vision uses a camera, digital signal processing, and analog-to-analog conversion, to capture and then analyze visual information. It is used in signature analysis to medical analysis.

Self-driving Cars: Automatic vehicles use deep learning, image recognition, and machine vision to make sure the vehicle stays in the proper lane as well as dodges pedestrians.

Robotics: Robotics is an engineering field that focuses on the designing and manufacturing of robots. Nowadays, Machine Learning is being used to build robots so that they can interact with society.

Types of Artificial Intelligence

There are four types of AI:

Reactive Machines	Limited Memory	Theory of Mind
Simple classification and pattern recognition tasks	Complex classification tasks	Understands human reasoning and motives
Great when all parameters are known	Uses historical data to make predictions	Needs fewer examples to learn because it understands motives

Can't deal with imperfect information

Current state of AI

Next milestone for the evolution of AI

Organizations operating online can benefit from AI in the following ways:

Detection of Threats: In order to find abnormalities and possible risks, AI can scan huge amounts of data, including network activity, records, and system events.

Automation in Cybersecurity: Several cybersecurity jobs, including incident management, threat hunting and security screening, may be automated by AI.

Statistical Analysis: To identify possible cyber dangers, AI may evaluate data from a variety of domains, particularly social networking sites. This makes it possible for companies to take preventive steps to stop assaults before they happen.

Detecting fraud: By examining huge databases to find abnormal behaviour patterns and abnormalities, AI may assist businesses in identifying and preventing fraud.

Usefulness of AI in the Current Digital World: AI-powered technologies are becoming into crucial tools for businesses to secure their online resources as the quantity and complexity of cyber threats rise.

Some important advantages of AI in cyberspace include:

Better and Quick Reaction Times: Real-time data analysis and fast response to threats are capabilities of AI systems.

Enhanced Accuracy: Systems using artificial intelligence (AI) can evaluate enormous volumes of data and spot possible hazards that conventional analysts would miss.

Scalability: Artificial Intelligence technologies can tackle complicated tasks and expand quickly to evaluate enormous datasets. They are therefore perfect for handling the massive volumes of data generated by the internet.

One of the most significant technical developments of the twenty-first century has been Artificial Intelligence (AI), which has transformed the way people live, work, and connect. To ensure AI's safe and ethical development and deployment, there are a number of issues that must be resolved, just like with any other technical advance.

THE FOLLOWING POINTS HIGHLIGHT THE KEY CHALLENGES AND OPPORTUNITIES OF ARTIFICIAL INTELLIGENCE (AI).

Bias and Discrimination: The possibility for prejudice and discrimination is one of the biggest problems with artificial intelligence. Because AI algorithms can only be as objective as the data they are trained on, biased data will result in biased algorithms.

Transparency: Lack of openness and ability to explain is yet another difficulty with artificial intelligence. The majority of AI algorithms are complicated, making it difficult to comprehend how they make judgments.

Concerns regarding Security and Safety: Artificial Intelligence systems have the potential to have severe negative effects, especially if they break down or are compromised.

Displacement of Jobs: When AI develops, it will be able to perform numerous activities in lieu of humans, which would cause redundancy and societal unrest.

Privacy: With AI, data collection, gathering a lot of personal information if ends up being in the possession of some unwanted person/hacker, it might be misused. Hence, protecting the security and privacy of sensitive data is essential for the ethical creation and utilization of AI.

Automation of Work: Automation of chores is one of AI's most important potential benefits. Large database processing and other activities that would take humans a very long time to accomplish can be handled by AI systems.

Personalization: The potential to customise products and offerings is yet another advantage AI offers. In order to offer personalised suggestions and insights, AI systems may examine data on consumer behaviour and preferences.

Making better decisions: AI may be applied to numerous businesses to enhance decision-making. In order to find patterns and forecast outcomes, AI systems can analyse vast volumes of data, allowing businesses and organisations to make better decisions.

AI VERSUS ETHICS & MORALITY

Self driving vehicles, chatbots, speech assistants and many other technologies have revolutionised the way we live our lives as a result of AI technology. The importance of moral foundations and ethical issues has increased as AI becomes more pervasive. The growth of artificial intelligence poses moral questions about matters like bias, responsibility, justice, and openness.

Confidentiality: Concerns regarding confidentiality/privacy are quite substantial in regard to AI. Massive quantities of private information, including surfing histories and shopping patterns, are collected about people by AI systems.

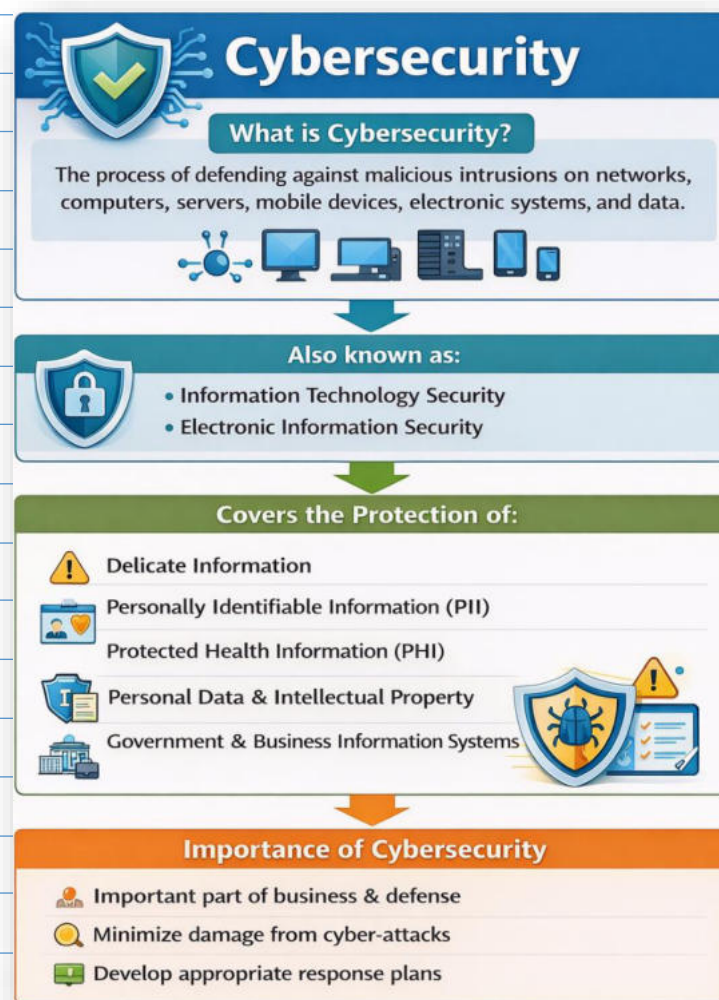
AI's Prejudice: The data that AI is fed determines how objective it really is. As statistical information is the basis for training AI models, biased statistical information will result in biased AI models. For instance, if the learning data comprises primarily of white people, an AI system utilised in recruiting may be prejudiced towards people of colour.

Responsibility and Transparency: It might be challenging to comprehend how AI technologies make judgments since they are frequently "black boxes." Due to the difficulty of holding an

Artificial Intelligence's algorithm accountable for its actions, the absence of openness may also result in lack of responsibility.

Discrimination and Bias: AI systems are susceptible to prejudice and bias, which might have detrimental effects on specific human beings or communities.

SIGNIFICANCE OF CYBER SECURITY



Therefore, for an all-compassing cyber security in the interest of business growth and progression, following fundamental categories need to be ensured:

- Network security,

- Data integrity and privacy,
- Operational security.

Common Kinds of Cyber-Attacks

- Denial of Service Attacks (DOS),
- Remote to Local Attack
- User to Root Attacks
- Probing
- Attacks Detection Strategies
- Signature based Approach
- Misuse/Misbehavior
- Reconnaissance Attacks
- Access Attacks
- Cyber-crime
- Cyber Espionage
- Cyber Terrorism
- Cyber War
- Active Attacks
- Passive Attacks
- Malicious Attacks
- Non-Malicious Attacks with minor loss of data.
- Attacks in Mobile Ad Hoc Network (MANET)
- Attacks on Wireless Sensor Network (WSN)

Requirement of Cyber Security Policies

Cyber Incidents of National Significance

A cyber-related incident of national significance may take different forms such as:

- Organized cyber-attacks
- Uncontrolled exploits like **computer viruses or worms**
- **Malicious software code (malware)**

- **National disasters** with major cyber consequences
- Other incidents capable of causing **extensive damage to information infrastructure or key assets**

Impact of Large-Scale Cyber Incidents

Large-scale cyber incidents can **overwhelm government, public, and private sector resources and services.**

They may **disrupt critical information systems.**

Such disruptions can threaten:

- **Human lives**
- **Economic stability**
- **National security**

Importance of Cyber Incident Management

Effective management of cyber incidents requires:

- **Rapid identification of cyber threats**
- **Information exchange between agencies**
- **Investigation of cyber activities**
- **Coordinated response and remediation**

These steps help **reduce and control damage caused by malicious cyber activities.**

Examples of Cyber Threats

Cyber threats affecting **individuals, businesses, and governments** include:

- **Identity theft**
- **Phishing**
- **Social engineering**
- **Hacktivism**
- **Cyber terrorism**
- **Compound threats targeting mobile devices and smartphones**
- **Compromised digital certificates**

- Advanced Persistent Threats (APTs)
- Denial of Service (DoS) attacks
- Botnets
- Supply chain attacks
- Data leakage

Essence of a Secure Cyberspace

The core objective of cybersecurity is:

Protection of information infrastructure

Preservation of:

- **Confidentiality** of information
- **Integrity** of data
- **Availability** of information in cyberspace

Digital Personal Data Protection Act, 2023: New Paradigm of Data Privacy and Compliance

After receiving approval from both houses of Parliament and obtaining the President's assent, the Digital Personal Data Protection Bill of 2022 has officially become the Digital Personal Data Protection Act of 2023. Few provisions are effective and related Rules have also come into effect. Few provisions and Rules are yet to come into effect and governs the processing of digital personal data in India, regardless of whether the data was originally collected in digital or non-digital format and subsequently digitized.

Under the DPDP Act, state agencies may be exempted from its provisions at the government's discretion. This legislation is designed to bolster data protection and accountability for entities such as internet companies, mobile apps, and businesses that handle citizens' data. Furthermore, it's worth noting that the DPDP Act will have implications for India's trade negotiations with other nations. It aligns with global data protection standards, taking inspiration from models like the EU's GDPR and China's PIPL.

At its core, the DPDP Act aims to establish a higher level of accountability and responsibility for entities operating within India, including internet companies, mobile apps, and businesses involved in the collection, storage, and processing of citizens' data. With a strong emphasis on the "Right to Privacy," this legislation seeks to ensure that these entities operate transparently and are answerable when it comes to handling personal data, thus prioritizing the privacy and data protection rights of Indian citizens.

The DPDP Act's scope extends beyond the borders of India, encompassing digital personal data processing activities abroad. This extension applies specifically to organizations offering goods or services to individuals in India or engaging in the profiling of Indian citizens. In doing so, the Act fortifies data protection measures not only within India but also concerning Indian citizens' data handled abroad.

The Telecommunications Act, 2023: Added Leg in Cyber Security

The Telecommunications Act, 2023 amended and consolidated the laws relating to development, expansion and operation of telecommunication services and telecommunication networks; assignment of spectrum; and for matters connected therewith or incidental thereto.

Cyber Security: Major Regulating Bodies and Compliance Requirements

Compliance related to cyber security involves meeting various controls (usually enacted by a regulatory authority, law, or industry standards) to protect the confidentiality, integrity, and availability of data. Though compliance requirements may vary by industry and sector, but typically involve using an array of specific standards, technology and process to safeguard data. Hence, this part of the chapter aims to understand main regulating bodies that ensure laws, policies and standards related to cyber security are duly enforced in cyberspace. "The major regulating bodies are as follows."

- **Computer Emergency Response Team (CERT-In):** The Computer Emergency Response Team (CERT-In) is the national nodal agency for collecting, analyzing, forecasting, and disseminating non-critical cybersecurity incidents.
- **National Critical Information Infrastructure Protection Center (NCIIPC):** The NCIIPC was appointed as the national nodal agency in terms of Critical Information Infrastructure Protection

and is regarded as a unit of the National Technical Research Organization (NTRO) and therefore comes under the Prime Minister's Office (PMO).

- **Cyber Regulations Appellate Tribunal (CRAT):** Under the IT Act, 2000, Government of India created the Cyber Regulations Appellate Tribunal (CRAT) as a chief governing body and authority for factfinding, receiving cyber evidence, and examining witnesses.
- **Securities and Exchange Board of India (SEBI):** SEBI is the regulatory body for securities and commodity markets in India and also focus on safeguarding their data, customer data, and transactions.
- **Insurance Regulatory and Development Authority (IRDAI):** The insurance sector of India is regulated by IRDAI, which issues information security guidelines for insurers and addresses the importance of maintaining data integrity and confidentiality.
- **Telecom Regulatory Authority of India (TRAI) & Department of Telecommunications (DoT)**
- TRAI and DoT, have tightened regulations for protection of data privacy and also mandates guidelines under which users' data has to be used.

Cyber Security: Recent Government Initiatives in India

Some of the recent Government Initiatives in Cyber Security in India are given below:

Cyber Surakshit Bharat Initiative.

Cyber Swachhta Kendra.

Online cybercrime reporting portal.

Indian Cyber Crime Coordination Centre (I4C).

National Critical Information Infrastructure Protection Centre (NCIIPC).

CYBER THREATS

Cyber security is a serious concern of present times as cyber threats and attacks are overgrowing. Attackers are now using more sophisticated techniques to target the network and security systems. Individuals, smallscale businesses or large organizations, are all being impacted. Therefore, all of these firms, whether IT or non-IT firms, have understood the importance of Cyber Security and focus on adopting all possible measures to deal with cyber threats.

Definition of Cyber Threats

A cyber threat (also known as cybersecurity threat) is defined as a malicious act that seeks to steal or damage data or disrupt the digital wellbeing and stability in general. Cyber threats include a wide range of attacks including but not limited to data breaches, computer viruses, denial of service, and numerous other attack vectors. Cyber threats also refer to the possibility of a successful cyber-attack that aims to gain unauthorized access, damage, disrupt, or steal an information technology asset, computer network, intellectual property, or any other form of sensitive data.

NETWORK ANALYSIS AND LAW

Researchers have used network analytic techniques in a variety of contexts relevant to legal scholars. These include the analysis of legal social networks examining statutes and regulatory codes as networks, studying the networks of criminals and terrorists, and studying the structure created by case law citations. As case law citation network analyses are the most common and perhaps the most accessible of these, we will begin the review by looking at the history of this body of study.

Emerging Technologies

Emerging technologies are technologies whose development, practical applications, or both are still largely unrealized. These technologies are generally new but also include older technologies finding new applications. Emerging technologies are often perceived as capable of changing the status quo.

Emerging technologies are characterized by radical novelty (in the application even if not in origins), relatively fast growth, coherence, prominent impact, and uncertainty and ambiguity. In other words, an emerging technology can be defined as “a radically novel and relatively fast-growing technology characterized by a certain degree of coherence persisting over time and with the potential to exert a considerable impact on the socio-economic domain(s) which is observed in terms of the composition of actors, institutions, and patterns of interactions among those, along with the associated knowledge production processes. Its most prominent impact,

however, lies in the future and so in the emergence phase is still somewhat uncertain and ambiguous.”

Technologies	Key Benefits	Use Cases
Artificial Intelligence (AI) and Machine Learning (ML)	Automate and optimize processes, provide insights	Chatbots, fraud detection, image recognition, predictive maintenance, personalization, recommendation engines, etc.
Robotic Process Automation (RPA)	Automation of repetitive and rule-based tasks	Data entry, invoicing, HR onboarding, financial reporting, etc.
Edge Computing	Reduced latency, improved performance	Autonomous vehicles, real-time analytics, video streaming, IoT, etc.
Quantum Computing	Solve complex problems traditional computers cannot	Cryptography, drug discovery, optimization, machine learning, etc.
Virtual Reality (VR) and Augmented Reality (AR)	Immersive experiences, user interaction with digital environments	Gaming, education, training, marketing, tourism, etc.
Blockchain	Secure and transparent transactions	Supply chain tracking, digital identity, voting, payment processing, etc.

Internet of Things (IoT)	Improved efficiency, automation, and monitoring	Smart homes, industrial automation, healthcare monitoring, energy management, etc.
Technologies	Key Benefits	Use Cases
5G	Increased speed, reduced latency	Enhanced mobile broadband, autonomous vehicles, smart cities, etc.
Cybersecurity	Protection of data, networks, and systems	Network security, threat intelligence, identity management, encryption, etc.
Full Stack Development	End-to-end development of software applications	Web development, mobile app development, e-commerce, etc.
Computing Power	Increased computing power for complex calculations	Scientific research, weather forecasting, financial modelling, artificial intelligence, etc.
Datafication	Collection, analysis, and use of data	Marketing analytics, customer insights, operational efficiency, personalized experiences, etc.
Digital Trust	Building trust in digital interactions	Online banking, e-commerce, social media, digital identity, etc.
Internet of Behaviours	Analysis and use of data	Retail analytics, healthcare monitoring, smart cities, etc.

	from human behaviour	
Predictive analytics	Analysis and use of data to predict outcomes	Customer retention, fraud detection, supply chain optimization, risk management, etc.
DevOps	Integration of development and operations processes	Continuous integration/continuous deployment (CI/CD), software testing, infrastructure as code, etc.
3D Printing	Printing of physical objects from digital designs	Prototyping, product design, medical implants, customized manufacturing, etc.
AI-as-a-Service	Access to AI technology through cloud computing	Chatbots, predictive analytics, natural language processing, image recognition, etc.
Genomics	Study of genes and their functions.	Precision medicine, genetic engineering, disease diagnosis, personalized

Network Security

A computer network is a group of two or more devices/computers connected to one another for efficient exchange of information. Networks are connected through networking devices like computer, switches, routers, modems, etc. These networking devices may be connected through wires (for example, cables) resulting in a wired network or through wireless media (for example, air) resulting in a wireless network.

It is important to note that data on a network is transmitted for communication in the form of packets, which are nothing but small chunks of data. Network Security refers to the protective measures undertaken by an organization or individual to secure its network systems and data from unauthorized access and attacks

by hackers. The basic aim of any network security system is to safeguard the accessibility, accuracy and confidentiality of sensitive data.

Network security seeks to protect data in order to ensure and maintain the following:

Data confidentiality: Assures that the data does not fall in the hands of unauthorized users.

Privacy: Assures that individuals are able to decide what data belonging to them may be disclosed, to whom it is disclosed and the extent of disclosure.

Data Integrity: Assures that the data remains in its intended form, subject to modification only in authorized manner.

System Integrity: Assures that systems perform their intended function, unhampered by any external manipulation.

Availability: Assures that data available on the system is readily accessible and not denied to authorized users.

Objectives of Network Security

It must be noted that a secure network is one which is able to:

- Control the physical access to the network.
- Prevent any accidental deletion, modification or tampering of data.
- Detect and prevent internal network security breaches.
- Detect and prevent external network attacks.

DATABASE CONCEPTS

Database concepts are vital to understand how databases function, and databases are a crucial element in modern computer systems. The aim of databases, data abstraction, data models, database management systems, data integrity, data security, and the benefits and drawbacks of databases are just a few of the topics that we'll cover in this chapter.

Purpose of Database

A database's goal is to have a collection of data serve as many applications as it can. As a result, a database is frequently considered to be a collection of data required to carry out specific tasks inside a business or organisation. It would enable not just data retrieval but also on-going data alteration, which is necessary for operation control. You might be able to search the database to get answers to your inquiries or details for planning.

Why is data privacy important?

In many jurisdictions, privacy is considered a fundamental human right, and data protection laws exist to guard that right. Data privacy is also important because in order for individuals to be willing to engage online, they have to trust that their personal data will be handled with care. Organizations use data protection practices to demonstrate to their customers and users that they can be trusted with their personal data.

Personal data can be misused in a number of ways if it is not kept private or if people don't have the ability to control how their information is used:

- Criminals can use personal data to defraud or harass users.
- Entities may sell personal data to advertisers or other outside parties without user consent, which can result in users receiving unwanted marketing or advertising.
- When a person's activities are tracked and monitored, this may restrict their ability to express themselves freely, especially under repressive governments.

ENTERPRISE RESOURCE PLANNING

Enterprise Resource Planning ("ERP") is a type of software which is used by businesses and organisations to automate and manage the day-to-day business activities and operations such

as manufacturing, accounting, procurement, supply chain operations, risk management and compliance management. ERP is a platform that is used by companies to manage and integrate the essential parts of their businesses. Many ERP software applications are critical to companies because they help them implement resource planning by integrating all the processes needed to run their companies within a single system.

Significance of ERP

ERP applications also allow the different departments to communicate and share information more easily with the rest of the company. It collects information about the activity and state of different divisions, making this information available to other parts of the company, where it can be used productively.

ERP applications can help a corporation become more self-aware by linking information about production, finance, distribution, and human resources together. Because it connects different technologies used by each part of a business, an ERP application can eliminate costly duplicates and incompatible technology.

Benefits of Enterprise Resource Planning

Among countless other advantages, implementing ERP software can improve productivity, increase efficiencies, decrease costs and streamline processes. Businesses employ enterprise resource planning (ERP) for various reasons, such as expanding, reducing costs, and improving operations. The benefits sought and realized between companies may differ; however, some are worth noting, which have been set out herein under:

Integration and Cost Effectiveness: In a nutshell, Enterprise Resource Planning software tries to integrate all the different departments and functions of an organization into a single computer system to serve the needs of different departments. These different departments usually have an individual software program that is optimized in the way each department works.

However, if installed correctly this integrated approach can be very cost effective for an organization. With an integrated solution, different departments can easily share information and communicate with one another.

Improves Accuracy and Productivity: Integrating and automating business processes eliminates redundancies and improves accuracy and productivity.

Improves Reporting: Accurate and complete reporting help companies adequately plan, budget, forecast, and communicate the state of operations to the organization and interested parties, such as shareholders.

Increases Efficiency: ERPs allow businesses to quickly access needed information for clients, vendors, and business partners.

Increases Collaboration: Departments are better able to collaborate and share knowledge; a newly synergized workforce can improve productivity and employee satisfaction as employees are better able to see how each functional group contributes to the mission and vision of the company.

Competition: It's true that ERP software requires a major investment, but this cost of investment is nothing as compared to the bigger cost in not making the investment.

Forecasting: Enterprise resource planning software gives users, and especially managers, the tools they need to create more accurate forecasts.

Collaboration: With the data entered into ERP systems being centralized and consistent, there's no reason why departments cannot work together.

Regulatory Compliance: Powerful ERP solutions will keep track of regulations within the industry and monitor changes in compliance.

Flexibility: Modern ERP software systems are robust, flexible, and configurable. They are not a one size-fits-all proposition but can be tailored to the unique needs of a business.

Customer Service: It's easier to provide high-quality customer service using an enterprise solution, especially when you're using one as well-equipped as Work Wise ERP.

Security: ERP systems can help in protection of data. In an ERP system, data is spread across multiple systems with varying levels of security.

APPLICATIONS OF INTERNET

Applications that can function or can be used only when connected to the internet are called **Internet applications**. In other words, it can also be said that such applications are made to run from the Internet itself.

Because all the data of internet applications is stored on their servers, if you want to use these applications then you must have an internet connection. So that through the internet your request goes to the server and in return you get information. You can also exchange your information through these applications.

In any case, **you need internet service to use the internet application**. Without internet service, you cannot access the information of these applications.

Additionally, to use internet applications, you also need a digital device with an internet connection, only then you can use those applications. Examples of digital devices include smartphones, tablet PCs, laptops, desktops, etc.

Application of Internet: Major Types

An Internet application serves some purpose for end users. It is generally not concerned with how data is actually transmitted between the hosts.

Here are some distributed applications that require well-defined application-level protocols:

- Sending and receiving email
- Searching and browsing information archives
- Copying files between computers
- Conducting financial transactions
- Navigating (in your car, smart scooter, smart bike, etc.)

ONLINE PLATFORMS

With the rise of e-commerce and online trading, online platforms are increasingly exposed to claims of intellectual property ("IP") infringement. Their visibility and deep pockets often make them a more worthy target as compared to individual users of platforms, whose obscure identities and business scale seldom justify protracted legal proceedings.

As per Section 2 (1)(w) of Information Technology Act, 2000 - **Unless the context otherwise requires - "intermediary", with respect to any particular electronic records, means any person who on behalf of another person receives, stores or transmits that record or provides any service with respect to that record and includes telecom service providers, network service providers, internet service providers, web-hosting service providers, search engines, online payment sites, online-auction sites, online-market places and cyber cafes.**

As per the above definition, online platforms fall under the definition of intermediary. Hence, let us understand the liability of intermediaries and the legal provisions governing the same.

Most major jurisdictions around the world have introduced legislations for limiting intermediary liability in order to ensure that this wheel does not stop spinning. With the 2008 amendment of the Information Technology Act 2000, India joined the bandwagon and established a 'notice and takedown' regime for limiting intermediary liability.

"Intermediary liability, which is based on the legal principle of vicarious liability, means that the service providers shall be held accountable for any illegal act of the user on their platform. As Rebecca MacKinnon has said, "Intermediary liability means that the intermediary, a service that acts as 'intermediate' conduit for the transmission or publication of information, is held liable or legally responsible for everything its users do."

E-Commerce



Benefits and Limitations of E-Commerce

Issac Newton's 3rd Law of Motion confirms that 'for every action there is an equal and opposite reaction'. The same principle applies to e-commerce also. The benefits and limitations of e-commerce transactions for (i) businesses, (ii) consumers and (iii) society as a whole have been outlined below:

Benefits

E-commerce serves the following advantages:

Increased Convenience: In e-commerce transactions, consumers can visit multiple websites at any time, be it day or night. With this ease, they can access all e-commerce websites, can

compare the prices and availability of goods and services, and make their purchases, without moving from their house or workplace.

Increased Choice: E-commerce transactions have increased consumer's choice for goods and services with their different variety as compared to traditional brick and mortar stores.

Enhanced Product Information: In e-commerce transactions, consumers get an opportunity to analyse information about the particulars of the product like quality, quantity, product performance, durability, drawbacks and limitations of the product.

Lower Prices: The increased competition on e-commerce platforms allows companies to offer goods and services at competitive prices to the customers.

Improved Delivery Process: E-commerce enables faster delivery specially in the electronic goods and services segment where items like software, audio-visual files, access to online journals and books, etc. are quicker and swifter in comparison to the packages delivered by mail or courier.

Global Presence: With the advent of e-commerce, businesses are confirming global presence at global scale in global market.

24/7 Opening: E-commerce business allows business to operate 24 hours a day and seven days a week, which offers competitive advantage over traditional businesses.

Reduced Costs: E-commerce companies are not required to have a building, staff or incur maintenance expenses like physical form of businesses do. Due to the lower operational cost in e-commerce businesses, they are able to provide goods and services at reduced cost.

Increased Sales and Profits: As e-commerce provides 24/7 access to products and services, it provides ease to consumers to transact in e-commerce transactions, which leads to increased sales and profit to e-commerce businesses.

Improved Customer Information: Disclosure of accurate information like name, address, and credit or debit card details, is a compulsory requirement for the completion of e-commerce transactions.

Economic Benefits: Running an e-commerce business is economical and cost-effective as it allows businesses to participate in global market, which serves them a greater opportunity to receive revenues at a global platform.

Social Benefits: E-commerce serves a range of benefits to the society in the form of enhanced quality of life by providing services with more convenience and satisfaction.

Political Benefits: E-commerce allows public services like health services (i.e. on-line consultation with doctors and nurses) on internet, filling taxes over internet, filling educational forms and extracting educational guidelines over internet.

Technological Benefits: Introduction of e-commerce in any society will allow people to enhance their IT skills, internet literacy and promote advancement of new technologies through applications on e-commerce.

TYPES OF E-COMMERCE (B2B, B2C, C2C AND C2B)

Business models of e-commerce can be classified into the following **four models:**

1. **Business to Business Model (B2B):** The B2B model involves electronic transactions between two businesses for ordering, purchasing, selling or distributing the goods.
2. **Business to Consumer (B2C) Model:** The B2C model involves transactions between business organizations and consumers. This implies a model whereby business organizations sell their product or services to consumers over the internet.
3. **Consumer to Consumer (C2C) Model:** The C2C model involves business transactions between consumers. In such model, one consumer sells directly to another consumer. For example, www.olx. in is one of the websites which allows consumers to advertise and sell their products online to another consumer.

4. **Consumer to Business (C2B) Model:** The C2B is similar to B2C model of e-commerce. C2B model also involves business transactions between consumers and a business organization. In C2B, consumer is the seller and business organization is the buyer.

E-Commerce Security – Mobile Commerce (M-Commerce)

M-commerce (mobile commerce) is the buying and selling of goods and services through wireless handheld devices such as smartphones and tablets. M-commerce is a form of e-commerce that enables users to access online shopping platforms without the use of a desktop computer.

M-commerce encompasses three major approaches to mobility and business.

Examples of M-commerce include in-app purchasing; mobile banking virtual marketplace apps, such as the Amazon mobile app; and digital wallets, such as Apple Pay, Google Pay and Samsung Wallet.

Types of M-commerce

M-commerce is categorized based on the following three basic functions:

Mobile shopping enables customers to buy a product using a mobile device with an application such as Amazon or a web app.

Mobile banking is online banking designed for handheld technology. It enables customers to access accounts and brokerage services, conduct financial transactions, pay bills and make stock trades.

Mobile payments are an alternative to traditional payment methods, such as cash, check, credit and debit cards. They enable users to buy products in person using a mobile device.

SUPPLY CHAIN MANAGEMENT

At the most fundamental level, supply chain management (for brevity, 'SCM') is management of the flow of goods, data, and finances related to a product or service, right from the procurement of raw materials to the delivery of the product at its final destination.

Supply chain activities span procurement, product lifecycle management, supply chain planning (including inventory planning and the maintenance of enterprise assets and production lines), logistics (including transportation and fleet management), and order management. SCM can also extend to the activities around global trade, such as the management of global suppliers and multinational production processes.

Productivity and efficiency improvements can go straight to the bottom line of a company. Good supply chain management keeps companies out of the headlines and away from expensive recalls and lawsuits.

In SCM, the supply chain manager coordinates the logistics of all aspects of the supply chain which consists of the following five parts:

Planning: To get the best results from SCM, the process usually begins with planning to match supply with customer and manufacturing demands.

Sourcing: Efficient SCM processes rely very heavily on strong relationships with suppliers. Sourcing entails working with vendors to supply the raw materials needed throughout the manufacturing process

Manufacturing: At the heart of the supply chain management process, the company transforms raw materials by using machinery, labor, or other external forces to make something new.

Delivering: Once products are made and sales are finalized, a company must get the products into the hands of its customers.

Returning: The supply chain management process concludes with support for the product and customer returns.

Customer Relationship Management (CRM)

Customer Relationship Management (CRM) is a technology for managing all your company's relationships and interactions with customers and potential customers. The goal is simple: Improve business relationships. A CRM system helps companies stay connected to customers, streamline processes, and improve profitability.

CRM software helps you focus on your organization's relationships with individual people — including customers, service users, colleagues, or suppliers — throughout your lifecycle with

them, including finding new customers, winning their business, and providing support and additional services throughout the relationship.

Different CRM products and methodologies vary in terms of features and focus, and they can be divided into three main categories.

- **Collaborative CRM systems:** Collaborative CRMs ensure all teams have access to the same up-to-date customer data, no matter which department or channel they work in.
- **Operational CRM systems:** Operational CRMs help streamline a company's processes for customer relationships. They provide tools to better visualize and more efficiently handle the full customer journey—even when it includes a high number of touchpoints.
- **Analytical CRM systems:** Analytical CRMs have the primary focus of helping in the analysis of customer data, in order to gain important insights.

ELECTRONIC FUNDS TRANSFER (EFT)

Electronic Funds Transfer (EFT) is the process by which a user of one bank can transfer money from their account to another by way of payment. It is also called a direct deposit since it directly deposits money into the receiver's account without the need for any physical interaction involving use of documents and cheques.

Electronic Funds Transfer (EFT): How it works

ETFs work via electronic signals that the sender generates when initiating payments, i.e. sending money to the receiver. Instantly, the networks and the servers or payment terminals receive the signals to initiate and continue with the payment. It involves transactions where receiver and the sender can be parties like employers to their employees, vendors to customers, retailers, etc.

Digital Currency

Digital currency is a form of currency that is available only in digital or electronic form. It is also called digital money, electronic money, electronic currency, or cyber cash.

- Digital currencies are currencies that are only accessible with computers or mobile phones because they only exist in electronic form.

- Typical digital currencies do not require intermediaries and are often the cheapest method for trading currencies.
- All cryptocurrencies are digital currencies, but not all digital currencies are cryptocurrencies.
- Some of the advantages of digital currencies are that they enable seamless transfer of value and can make transaction costs cheaper.
- Some of the disadvantages of digital currencies are that they can be volatile to trade and are susceptible to hacks.
- Digital currencies have utility similar to physical currencies. They can be used to purchase goods and pay for services. They can also find restricted use among certain online communities, such as gaming sites, gambling portals, or social networks.
- Digital currencies also enable instant transactions that can be seamlessly executed across borders. For instance, it is possible for a person located in the United States to make payments in digital currency to a counterparty residing in Singapore, provided they are both connected to the same network.

Block Chain Technology

Blockchain is a distributed database or ledger shared amongst a computer network's nodes. They are best known for their crucial role in cryptocurrency systems for maintaining a secure and decentralized record of transactions, but they are not limited to cryptocurrency uses. Blockchains can be used to make data in any industry immutable—the term used to describe the inability to be altered.

Since Bitcoin's introduction in 2009, blockchain uses have exploded via the creation of various cryptocurrencies, Decentralized Finance (DeFi) applications, Non-Fungible Tokens (NFTs), and smart contracts.

Note: Non-Fungible Token (NFT) is a unique digital identifier that is recorded on a blockchain, and is used to certify ownership and authenticity. It cannot be copied, substituted, or subdivided.

Decentralized Finance (DeFi) is an umbrella term for a variety of financial applications in cryptocurrency or blockchain geared toward disrupting financial intermediaries.

- Blockchain is a type of shared database that differs from a typical database in the way it stores information; blockchains store data in blocks linked together via cryptography.
- Different types of information can be stored on a blockchain, but the most common use for transactions has been as a ledger.
- In Bitcoin's case, blockchain is decentralized so that no single person or group has control—instead, all users collectively retain control.
- Decentralized blockchains are immutable, which means that the data entered is irreversible. For Bitcoin, transactions are permanently recorded and viewable to anyone.

Payment Portal

A payment gateway is a technology used by merchants to accept debit or credit card purchases from customers. The term includes not only the physical card-reading devices found in brick-and-mortar retail stores but also the payment processing portals found in online stores. However, brick-and-mortar payment gateways in recent years have begun accepting phone-based payments using QR codes or Near Field Communication (NFC) technology.

- Payment gateways are the consumer-facing interfaces used to collect payment information.
- In physical stores, payment gateways consist of the point of sale (POS) terminals used to accept credit card information by card or by smartphone.
- In online stores, payment gateways are the “checkout” portals used to enter credit card information or credentials for services such as PayPal.
- Payment gateways are distinct from payment processors, which use customer information to collect payments on behalf of the merchant.
- There are also payment gateways to facilitate payment in cryptocurrencies, such as Bitcoin.

BLUETOOTH AND WI-FI

Both Bluetooth and Wi-Fi are used for providing wireless communication through radio signals. The difference between Bluetooth and Wi-Fi is that, Bluetooth is actually accustomed to connect short-range devices for sharing information whereas Wi-Fi is used for providing high-speed web access or internet. Wi-Fi provides high information measure because the speed of web is a vital issue.

Bluetooth is a technology designed to enable short-range wireless communication between electronic devices, such as between a laptop and a smartphone or between a computer and a television.

Wi-Fi is similar to Bluetooth in that it also uses radio waves for high-speed data transfer over short distances without the need for a wire connection.

WHAT IS INFORMATION SYSTEM

Information systems encapsulates the tools that organizations use to collect, manage, and analyze data. Decision making process in the organization is getting improved by enhancing decision making capacity and efficiency of operations as whole, which in turns result in improved profitability. In today's scenario, be it human resource management, financial management, or customer support activities, or supply chain of operations, data is core of every business activity and information system become inevitable part of all such data-driven activities.

Information system does not merely mean the usage of software for the purpose of processing data and sharing information based on such processing, in real sense it is more than that and encapsulates various components such as hardware, software and telecommunication networks to collect useful data, especially in an organization.

How Information System is Useful for Company Secretary in Business Management

Business Information Systems may be boundary-spanning field of ponder relating to how Information and Communication Technologies (ICT) can be deployed to enhance business processes and upgrade the organization's value chain systems, which firms utilize to obtain, create, and deliver goods and services across the globe.

Information Systems play a vital role within the modern economy and enterprise setting characterized by strategic procurement, worldwide outsourcing, physically distributed operational environments, and extensive business alliances.

Information systems help decision-makers at a business to make informed decisions for the company. Information technology helps get prepared data on all areas of the business as it offers current data, background, and trend analysis. To utilize this nitty-gritty information on

the company environment and finances to progress business execution within the long- and short-term.

Generally, the application of computer information systems in a business helps to manage operations, interact with customers and suppliers to compete with other business firms and organizations. This motivates more companies to learn about Information Systems (IS) and to utilize it for an added business advantage.

Following are the main reasons, why information system is useful for company secretary in business:

Efficient functioning:

In order to achieve higher profitability for your business, it is essential to improve the efficiency of business operations continually. This is possible to do by continuously storing the correct amount of stock so that you can always give your consumers what they want.

New products, services, and business models:

For businesses to make new products and services, information systems play a crucial role. Information System also help create new business models, and these can describe how a company produce, design, and sell their products.

Behavioural changes:

The information system can also help to communicate better between the employers and the employee. It works better as it stores information systematically, including the documents and files in folders that can be easily accessed and shared by the employees. This way, it oversees the flow of information between the management and the lower-level employees.

Better decision making:

Information systems assist managers in creating informed decisions with the help of real-time data. Continuously making informed decision improves decision power and avoid wastage of time looking for information.

Store and Analyse Information:

Most information systems function as delivery vehicles for data stored in databases. Databases support the operations and management aspects of a business. With a database, the collected data is stored and organised. Examples of databases include employee records and product catalogues.

Simplify Business Processes:

The integration of information systems in a business enables easier management of certain business processes to save on time and labour. For instance, buyers can have a seamless shopping experience at an online retailer as they can select a particular product display based on best-selling items, price range and customer ratings.

New Products and Services:

Any company looking to improve and secure the future must establish a broader perspective with the use of a well-designed and coordinated information system. The Information System makes it easier to analyze independent processes such as information to produce valuable products or services and organized work activities.

Management Information Systems

Management Information Systems (MIS) is the study of people, technology, organizations, and the relationships among them. MIS is a people-oriented field with an emphasis on service through technology. The system gathers data from the internal and external sources of an organisation.

One of the most important tools which aims to provide reliable, complete, accessible and understandable information to managers for effective decisions making and improving business performance is Management information system. The use of management information systems has become necessary for every organization to facilitate the work procedures and improve efficiency and productivity and improve performance in general.

Moreover the importance of management information systems comes from the benefits that generated by that system such providing useful information in a timely manner, improved labor

productivity, cost savings, providing the information without any delays and mistakes, and improved the management of work.

A formal method of collecting timely information in a presentable form in order to facilitate effective decision making and implementation, in order to carryout organisational operations for the purpose of achieving the organisational goals.” – Walter I. Kennevan

An MIS is a system designed to provide selected decision-oriented information needed by management to plan, control and evaluate the activities of the corporation. It is designed within a framework that emphasises profit planning, performance planning and control at all levels.

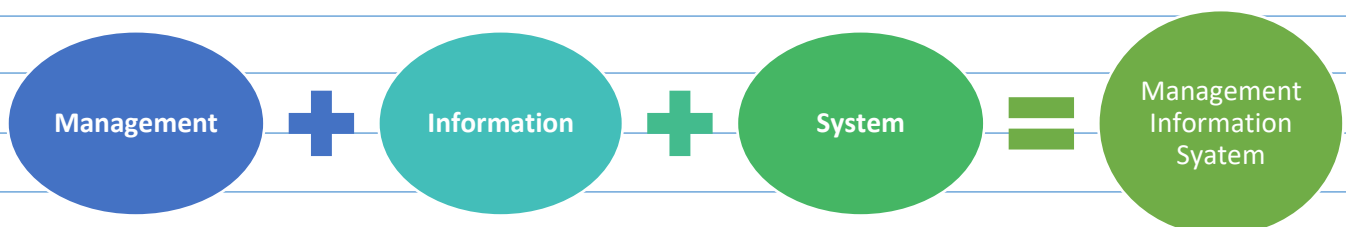
It contemplates the ultimate integration of required business information, sub systems both financial and nonfinancial within the company”

– *Management Information System Committee of the Financial Executive Institute*

“Management information system is a computer-based information system that provides for managementoriented reporting based on transaction processing and business operations of the organization.”

– *Nowduri & Al-Dossary*

A Management Information System is an acronym of three words, viz., Management, Information, System.



Management: Management is the art of getting things done through and with the people in formally organised groups.

Information: Information is data that is processed and is presented in a form which assists decision making. It may contain an element of surprise, reduce uncertainty, or provoke a manager to initiate an action.

Utilization of Management Information System in Indian Business Scenario

Management Information Systems provide the owner and other decision-makers at a business with the data needed to make informed decisions for the company.

A MIS provides background, current data, and trend analysis so you have ready information on all areas of the business.

Management information system can be utilised in below mentioned manner for more efficient utilisation of such information system:

Business Communication System: Part of management is gathering and distributing information, and information systems can make this process more efficient by allowing managers to communicate rapidly.

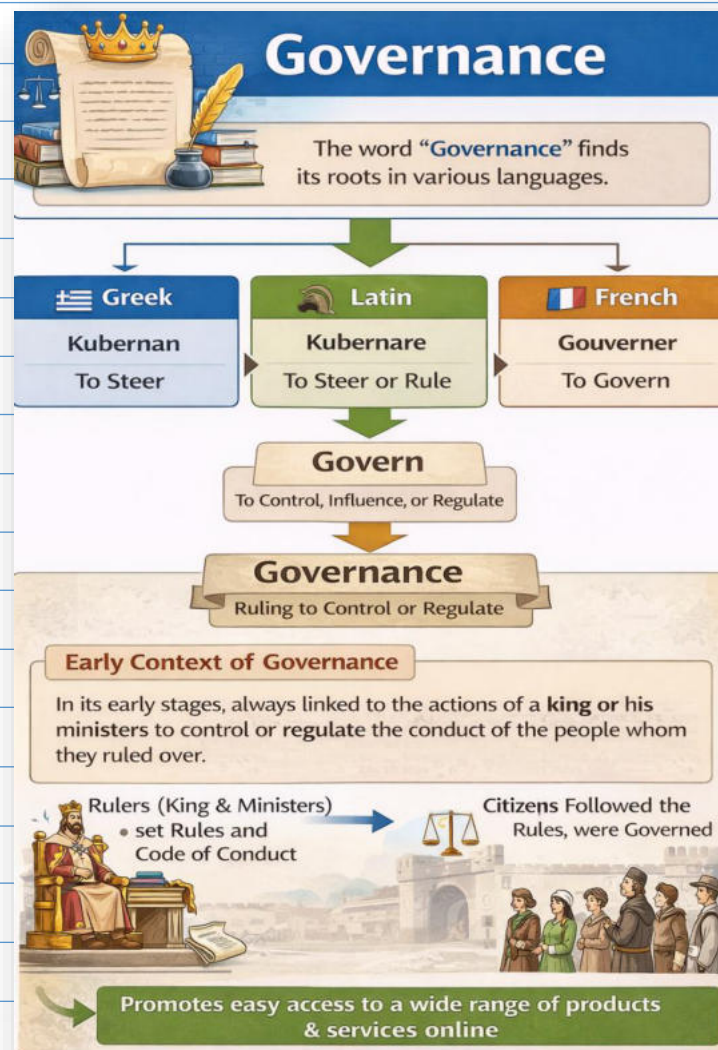
Business Operations Management: How the company's operations are being managed are highly depended on information such company managers possess.

Company Decision-Making: The company information system can help decision maker to make better decisions by delivering all the information one need and by modelling the results decisions taken. A decision involves choosing a course of action from several alternatives and carrying out the corresponding tasks.

Company Record-Keeping: Company needs records of its activities for financial and regulatory purposes as well as for finding the causes of problems and taking corrective action.

CHAPTER 7: ELEMENTS OF CORPORATE GOVERNANCE

GENESIS OF GOVERNANCE



In the Indian context, the linkage of governance to kingdoms is also evident when we read our ancient texts and scriptures. Our Upanishads, Vedas, the epics Ramayana, Mahabharata and Bhagwad Gita all contain guidelines on good governance which the Kings and their ministers were expected to follow. The "Ram Rajya" depicted in the Ramayana is a model of governance featuring dharma, justice, equality and the welfare of all citizens.

Till this day the word "Governance" continues to represent actions by the governmental authorities.

DEFINITION OF GOVERNANCE

The concept of governance broadly describes as:

“The role of public authorities in establishing the environment in which economic operators function and in determining the distribution of benefits as well as the relationship between the ruler and the ruled.”

“An essential complement to sound economic policies and central to creating and sustaining an environment which fosters strong and equitable development.”

“The exercise of political, economic and administrative authority necessary to manage a nation’s affairs and the process by which decisions are made and implemented within Government. It is a process by which public institutions conduct public affairs and manage public resources.”

FEATURES OF GOOD GOVERNANCE

Good governance is about running a good administration in the country. Good governance has the following features:

Rule of Law: Essentially Governance consists of a set of rules and regulations.

Strategic Vision: There is an overarching vision to make the country better and citizens prosper.

Consensus Orientation: The attempt is to build a consensus while laying down policies.

Participation: The views of the citizens are considered and included in the policies laid down by the Government.

A country that is governed well improves the economic, social and political well-being of all its citizens.

CORPORATE GOVERNANCE

The term "Corporate Governance" relates to Governance in Companies.

Evolution

From the kingdoms, the principles of governance flowed into organisations. As the industrial revolution resulted in the creation of large corporate factories, there was need to create a standard set of rules in order to maintain order and efficiency. The principles of Governance thus seeped into large organisations first and later spread to other corporates.

Definition of a Company:

The celebrated Lord Justice Lindley defined a Company as **"an association of many persons who contribute money or money's worth to a common stock and employ it in some trade or business and who share the profit and loss arising therefrom."**

Thus, a Company is formed by the association of many persons to engage in trade or business. The persons contributing money or capital are known as shareholders.

A company is a legal entity formed by a group of individuals to engage in business or trade with the intention of earning profits or achieving specific objectives. Companies exist as separate legal entities, meaning they are distinct from the people who own or manage them. The concept of a company plays a crucial role in modern commerce, offering a framework for businesses to operate, grow, and ensure legal compliance.

Management of a Company:

The shareholders, however, do not manage the Company.

The operations of a Company are managed by a Board comprising of Directors elected by the shareholders. The shareholders lay down the vision for the Company. The Board of Directors have the responsibility of converting the vision of the shareholders into measurable objectives and get them executed. For this the Board appoints senior management who along with other members actually run the operations. Therefore, the Board has different sets of responsibilities in the management of the Company:

- To the shareholders, they have to convert their vision into reality

- To the management team for handholding them so that they execute efficiently
- To other stakeholders (like the Govt and the Society in which they operate) to meet their individual requirements
- To the environment for economic usage of resources and for management of pollution and waste.

Definition of Corporate Governance:

The definition of Corporate Governance has evolved over the years. Robertlan Tricker coined the word "Corporate Governance" in 1984. According to Tricker,

"Corporate Governance is concerned with the way Corporate entities are governed. Corporate Governance addresses issues facing the Board of Directors of a Company such as the interaction with top management and relationships with owners and others interested in the affairs of the Company."

The Institute of Company Secretaries of India has defined Corporate Governance as

"the application of best management practices, compliance of law in true letter and spirit and adherence to ethical standards for effective management and distribution of wealth and discharge of social responsibility for sustainable development of all stakeholders."

The OECD has defined corporate governance as

"a set of relationships between the Company's management, its Board, its shareholders and other stakeholders."

Corporate Governance is about how a Company, beginning with the Board and encompassing all employees goes about its activities in the pursuit of its objectives in a manner that is fair to every stakeholder while complying with all legal requirements.

We can, therefore, rephrase the definition into simpler language as below: **Corporate governance encompasses**

- A set of policies, procedures and practices operational in an organisation

- In the pursuit of its objectives
- Which are legally compliant
- Ethically oriented and
- Meets the requirement of all stakeholders (Including shareholders)

Key Components of Good Corporate Governance:

Policies, Procedures and Practices:

Every Company will have a set of policies, procedures and practices laid down by the Board or the senior management within which it is supposed to operate. All actions by the employees in line with such laid down policies and procedures are considered as good governance actions.

Actions in the Pursuit of its Objectives:

The set of policies, procedures and practices must be aimed at meeting the objectives of the Company and realising the vision of its shareholders. If they are not in line with the goals of the Company, any action will result in bad governance.

Legal Compliance:

The laid down policies, procedures and practices and the actions thereon must all be meeting the requirements of law. Any violations can lead the Company to penalties and in some extreme cases prison terms for the operational Directors.

Ethical Orientation:

A Company's actions must not only fall within the ambit of law but must also go a little beyond. Its actions must be morally right as well apart from being legally correct.

Meet the Requirement of all Stakeholders:

In the early days of corporate evolution, the Board of Directors and the Management and employees of the Company focussed on ensuring that the shareholders benefited from their

actions. Slowly the focus shifted to looking at the needs of not only the shareholders but all stakeholders.

Stakeholders in an Organisation:

The shareholders of a Company are the first stakeholders. Their money is at stake and they are directly impacted by its operations. If the Company is profitable, they can look forward to a large dividend and if the Company is continuously profitable, they can reap capital appreciation in the form of a market price for their shares much above the book value.

There are, however, other stakeholders also who are impacted by the operations of a Company. Let us look at all the stakeholders.

Shareholders:

As stated above, the shareholders have a direct impact in terms of receiving dividends and capital appreciation. In some cases, where the Companies do not do well, they may not receive any dividend and possibly could even lose their entire capital.

Employees:

The employees have a critical stake in the Company. They are impacted by the work culture prevalent, by the kind of emoluments and incentives they receive and by the gender and diversity policies of the organisation. A long term career for the employees is dependent on how successful the Company is in its operations.

Suppliers:

Suppliers are another key stakeholder in a Company. They supply materials, many times on credit, and in some instances align a large portion of their capacity to a single- buyer. Their fortunes depend on the successful operation of the Company. It is important they are treated fairly and considered as partners by the Company.

Customers:

Customers form the backbone for a Company's performance. The Company must ensure that customers are keen to buy their products and feel they get value for money. It is the responsibility of the Company to provide quality products at affordable prices.

Government:

In a large number of cases, the Government is the approving authority for creation of the enterprise either in the form of licensing or registration. Their approvals kick-start the creation of the enterprise.

In addition, the Government generates revenue from the Company mainly in the form of:

- Excise and Customs Duties
- Goods and Services Tax
- Income Tax

They are therefore interested in ensuring that the Company operates successfully so that they continue to get these revenues.

Society/Area of operation:

The area in which a Company operates is also an important stakeholder. The Company uses a lot of resources like electricity, water etc for its production. These are supplied by the governmental or private authorities concerned. Similarly, a large number of people in the area get both direct and indirect employment from the Company.

The Company may also offer to develop the area surrounding its operations to improve the overall standard of living for the people residing therein. This could be in the form of developing schools, public places, vocational training and providing additional infrastructure as part of overall corporate social responsibility.

Environment:

The Company significantly impacts the environment in which it operates. For its raw material requirements, most of the Companies use some form of natural resources or other. For e.g. a Company may use natural rubber or wood or iron or steel or oil for its production. To the extent they use up these natural resources, the overall stock of these resources come down and this depletion can lead to climate change or other unwanted consequences.

A large number of consumables in the form of water, electricity, coal or oil is also used up by these Companies as part of their production processes. In addition, they also generate waste that needs proper treatment before they are let out.

Therefore, the Company has a large responsibility in first minimising the use of resources by eliminating waste and improving productivity and also working on restoration of these resources so that there is no depletion.

Key Requirements for effective Governance:

How can a Company improve its Governance function and be considered as a model for good governance?

The following are the key requirements:

- A Strong Board of Directors
- A Robust Legal Framework
- A Strong Financial Reporting
- A Robust Risk Management Process

Strong and Effective Board of Directors:

The Company must have a very effective Board of Directors who understand their responsibilities and deliver to the expectations of all concerned. The key to good governance squarely lies with the Board.

In order to facilitate and help the Board to effectively perform their duties, the following must be in place:

- Clear process of appointment
- Proper Identification of the Roles of the Individual Directors and Accountability of the Board
- Induction and Training processes for Directors
- Regular Conduct of Board Meetings

- Intense deliberations and participation by all Directors
- Effective functioning of the Audit Committee of the Board
- Proper Performance Evaluation of the Directors

Robust Legal Framework:

In order for Companies to improve their Governance, it is important that the legal system must be robust and comprehensive. The laws applicable to Companies must be very clear and not capable of different interpretations or allow for different treatment for different organisations. Once the laws are clear, all organisations will work towards complying with the requirements thus improving governance.

Strong Financial Reporting:

At the end of the day the financial performance of an organisation is key to its survival and growth. It is important that the financial results reflect the actual operations and that there are no misrepresentations or wrong reporting. The Board of Directors, therefore, has to ensure that there is an effective system of financial reporting and adequate disclosures of the goings-on in the Company. This provides adequate comfort for the shareholders and the other stakeholders that the Company is working towards realising its objectives.

Robust Risk Management Systems:

Another key requirement for a well-governed Company is an adequate and comprehensive risk management system in place. Business today faces all kinds of risks – financial risks, operational risks, strategic risks, political risks and other environmental risks. Any of these risks can lead to huge losses for the Company and may even lead to its complete closure. During Covid 19, there were companies who were resilient enough to survive and move on while some others simply fell by the wayside.

It is, therefore, important for a Company to identify those risks which are critical to its operations and survival and have a methodology in place to manage those risks.

What are the attributes of a Company with very good Governance?

A Company with Good Corporate Governance displays certain special attributes. These are:

Transparency in Operations and Reporting:

A well governed Company is very transparent in its dealings with other stakeholders as also in reporting its activities. There is no desire to hide any information from the various stakeholders. Disclosures by the Company are complete and more than adequate. Shareholders and others are very comfortable in the fact that they have complete knowledge of the Company's operations.

Accountability:

Another attribute of a well governed Company is the Accountability of its Board of Directors. The Board is mindful of its rule and takes full responsibility for the operations.

n Fairness:
The Company is extremely fair in its dealings with others. Whether dealing with employees, creditors, customers or outsiders (government and society), the Company ensures respect and dignity for others and complete equality in its dealings.

Responsibility:

A well governed Company takes full responsibility for its actions and consequences. It is committed to an ethical conduct in its dealings, being responsible in its business practices, ensuring sustainability of the environment and owning responsibility towards society.

Benefits of Corporate Governance:

There are several advantages accruing to a Company with good Corporate Governance. These are:

Improved Corporate Performance

Company with good governance mechanism improves its long-term prosperity and sustainability. It is rated at a premium compared to other companies.

Enhanced Investor Trust

Because of complete transparency and disclosure, investors feel comfortable that their interests are fully protected and continue to stay with the Company for the long term.

Better Access to Global Market

Global Investors are attracted to well governed companies thereby enhancing the financing options for such companies including lower cost of funds. Similarly such companies can tap the market for their raw material requirements and for export of their finished products.

Elimination of Fraudulent/Corrupt Practices

With strong systems in place, the possibility of fraudulent or corrupt practices becomes extremely low. Illegal or immoral actions will get to be found out quickly.

Better Financing from Institutions

When a Company is known for its good corporate governance, financial institutions will queue in to offer finances and at lower costs because they are confident about the Company's success and sustainability. This is a positive cycle as with lower financing costs, the profits of the company will continue to rise further leading to even more interest from financial institutions.

Reduced Risk of Scandals and Crisis

An organisation with strong governance culture will not get into any scandals or crisis. Scandals or crisis arise when suddenly an organisation announces huge losses or a misappropriation or wrong financial reporting. This will be a rarity in a Company with good governance.

Enhanced Enterprise Value

When a Company is known for its governance, the entire investor community takes note and is keen to be a part of the shareholding of that Company. They know that the Company will outperform its peers and generate super profits and handsomely reward its shareholders. This pushes up the enterprise or the business value of the organisation benefiting every one of its investors.

CORPORATE GOVERNANCE AND THE ANCIENT INDIAN SCRIPTURES

There is a great deal of similarity between the governance structures of ancient kingdoms and modern corporations (Companies) as evidenced by our ancient scriptures and writings. The Vedas, Upanishads, and the epics contain a lot of directives on being ethical and following good governance standards.

Kautilya's famous treatise Artha Shastra lays down four duties for a king. We can make this applicable to large corporations with the king being substituted by the Board of Directors and the subjects being substituted by stakeholders.

The four duties of the King and their relationship to modern day companies is explained below:

Duties	Meaning	With reference to Companies
Raksha	Protection	Risk Management Systems
Vridhhi	Growth	Enhancement of Shareholder Value
Palana	Maintenance/Compliance	Compliance with Law
Yogakshema	Well Being	Corporate Social Responsibility

GOVERNMENT GUIDELINES FOR RESPONSIBLE BUSINESS CONDUCT

The Ministry of Corporate Affairs, Government of India released in 2019 a set of National Guidelines on Responsible Business Conduct. These guidelines contain **nine principles** for all businesses to follow.

These principles are provided below:

- Businesses should **conduct and govern** themselves with integrity in a manner that is Ethical, Transparent and Accountable.
- Businesses should **provide Goods and Services** in a manner that is sustainable and safe.
- Businesses should **respect and promote** the well-being of all employees including those in their value chains.
- Businesses should respect the **interests of and be responsive to all their stakeholders**.
- Businesses should **respect and promote human rights**.
- Businesses should respect and make efforts to protect and restore the **environment**.

- Businesses when engaging in influencing public and regulatory policy should do so in a manner that is responsible and transparent.
- Businesses should promote **inclusive growth** and equitable development.
- Business should **engage with and provide value to their customers** in a responsible manner.
- The Government felt that adoption of these principles by a company will lead to a quantum jump in corporate governance standards.

How does the Government/Regulator ensure that Companies follow good governance?

By enacting rules and creating a framework for companies to comply.

By seeking reports from the Companies themselves.

LEGAL FRAMEWORK ON CORPORATE GOVERNANCE

We had earlier stated that a robust legal framework is a key requirement for good governance. Regulations on Corporate Governance are mostly found in the Companies Act 2013 and additionally for listed companies in the SEBI (Listing Obligations and Disclosure Requirements) Regulations 2015. There are also communications from the Reserve Bank of India for Banks and Finance Companies and from the Insurance Regulatory and Development Authority of India for Insurance Companies.

Provisions related to Corporate Governance in the Companies Act 2013:

- The Companies Act 2013 contain the following provisions on corporate governance:
- Appointment and Tenure of Independent Director
- Appointment of Woman Director
- Appointment of Whole time Key Managerial Personnel
- Performance Evaluation of Board & Directors
- Enhanced Disclosures and Assertions in Board Report, Annual Return and Directors' Report
- Mandatory Secretarial Standards and Secretarial Compliances
- Related Party Transactions
- Vigil Mechanism

- *Nomination and Remuneration Committee*
- *Corporate Social Responsibility Committee*
- *Rotation of Auditors*
- *Secretarial Audit*
- *Constitution of National Financial Reporting Authority*
- *Separation of Role of Chairperson and Chief Executive Officer*
- *Mandatory E Voting*

Provisions related to Corporate Governance in SEBI Regulations

Regulation 4 of SEBI (LODR) Regulations lays down

- *Principles for Periodic Disclosure on Governance*
- *Generic Corporate Governance Principles*

In addition, the Regulations contain specific provisions on:

- *Board Composition*
- *Board Committee*
- *Intimations and Disclosure to Stock Exchanges*
- *Requirements with reference to Board Processes and Meetings*
- *Website Requirements*
- *Advertisement Mandates*
- *Policies*
- *Shareholding Pattern*
- *Corporate Actions*

Recommendations of the Basel Committee on Banking Supervision:

The Basel Committee on Banking Supervision, an international body formed with the objective of strengthening the regulation, supervision and practices of banks worldwide, released in July 2015 a set of guidelines for effective corporate governance in banks. The guidelines cover the following areas:

- Board's Overall Responsibility
- Board's Qualification and Composition
- Board's structure and practices
- Senior Management
- Governance of Group Structures
- Risk Management Function
- Risk Identification, monitoring and control
- Risk communication
- Compliance
- Internal Audit
- Compensation
- Disclosure and Transparency
- Role of Supervisors

Reporting Requirements on Corporate Governance:

There are two major reports called for by SEBI from the listed Companies:

- Corporate Governance Report
- Business Responsibility and Sustainability Report

Corporate Governance Report:

The Securities Exchange Board of India has under Regulation 27 required Companies to file a quarterly report on Corporate Governance and a yearly report to be also attached to the Annual Reports. The details called for broadly cover:

- Board Composition
- Board Committee Composition
- Meetings of the Board and Committees
- Related Party Transactions
- Senior Management
- Remuneration of Directors
- Meetings of Members
- General Shareholder Information.

The idea is to enlarge disclosure which improves transparency and monitoring.

Business Responsibility and Sustainability Report:

Based on the National Guidelines on Responsible Business Conduct (NGRBC) released by the Ministry of Company Affairs, the Securities Exchange Board of India has directed the top 1000 companies to attach a Business Responsibility and Sustainability Report as part of the Annual Report. The format for the BRSR is also provided by SEBI.

One of the important components of the BRSR is the principle wise information to be provided in respect of the nine principles laid down in the NGRBC. The principle wise information will clearly demonstrate the extent of good governance that exists in the Company.

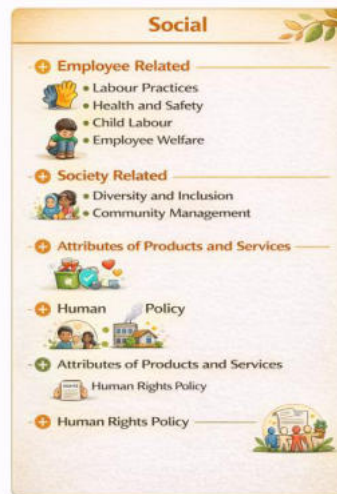
RECENT TRENDS IN CORPORATE GOVERNANCE



ESG (Environment, Social and Governance) is now in the limelight. Companies are now looking to project their ESG activities and even try to get a rating on ESG from rating agencies. Special funding is now available for ESG activities only.

Let us look at the broad areas covered by E, S and G.

Environment, Social and Governance:



Others

- Risk Management
- Internal Controls, Policies and Processes
- Ethics and Compliance Management
- Governance Structure
- Environmental and Social Oversight
- Executive and Board Compensation
- Stakeholder Engagement
- Anti-Corruption
- Supply Chain
- IT Security and Data Protection
- Disclosures and Reporting

Companies are now releasing Sustainability Reports, as part of Corporate Governance, wherein they specify what areas of ESG are in focus and how they are targeting improvements on the same. A large part of the action is now on the Environmental front where climate change and carbon emissions are attracting high importance for mitigation.

CASE STUDIES ON CORPORATE GOVERNANCE

In this portion we will try to demonstrate how various companies across the world are working towards improving their overall Environmental, Social and Governance orientation.

Companies outside India

Embraer – Brazil

Embraer S A is a Brazilian multinational aerospace corporation. They are manufacturers of aircraft and aviation systems which are sold across the world. They have over 23000 employees and touched a revenue of US \$ 6.4 billion during the year ended December 2024. Towards improvement in employee orientation, Embraer has set the following goals for 2025:

- 50% diversity in hires across all entry level programs (The company will look to hire persons from different backgrounds, experiences and perspectives from across the world)
- Ensure 20% of senior leadership positions are filled by women.

In addition, Embraer promotes an ecosystem of knowledge generation and dissemination that encourages high quality training of their employees.

Eli Lilly – USA

Eli Lilly and Company is an American multinational pharmaceutical company with a turnover of US \$ 45 billion (year ended 31st March 2024). Their goal on patient safety is “to ensure that the benefits and risks of our medications are continuously monitored and well understood by regulators, health care providers and patients.” They have set the following Goals to be achieved by 2030:

- To be carbon neutral with reference to Scope 1 and Scope 2 emissions.
- 100% of purchased electricity from renewable sources
- Zero Waste to go to Landfills
- Improve Quality Healthcare for 30 Million people living in resource limited settings
- Achieve Zero severe injuries.

Shell plc – UK

Shell plc is a British multinational oil and gas company. Shell is a vertically integrated oil company beginning from initial exploration through harvesting (production), transportation, refining and finally trading. Shell deals with about 25000 suppliers globally.

As part of good governance, Shell engages only with those vendors who behave in an economically, environmentally and socially responsible manner. The Suppliers are expected to:

- Protect the environment by complying with all laws and regulations
- Use energy and natural resources efficiently
- Continually look for ways to minimise waste, emissions and discharges from their operations, products and services.

Robert Bosch GmbH – Germany

Robert Bosch GmbH is a German multinational engineering and technology company. They employ around 420000 associates worldwide and women in management currently constitute 20.4%.

- For the year ended 31st December 2024 group sales totalled around 90 billion Euros.
- Bosch is carbon neutral from 2020.
- 99.5% of purchased electricity is from renewable sources.
- The majority of the share capital of Robert Bosch GmbH is held by a charitable foundation. By 2030 atleast one in four leadership positions to be held by a woman.
- To bring down by end 2025 the number of work-related accidents to 1.45 accidents per 1 million hours worked. (Previous year was 1.46 accidents)

Responsibility to customers:

Bosch's mission statement "Invented for Life" reflects their desire to provide safe and reliable products to customers with very high quality. The quality of all products is overseen by their Product Compliance Management System. The system helps to identify, monitor, control and minimise risks related to product quality. Products are not released for mass production unless all safety aspects have been fully clarified.

INDIAN COMPANIES:

ITC Limited

ITC is a leading multi-business Indian enterprise with presence in FMCG, Paper, Packaging, Agribusiness and IT. ITC generated a turnover of 73465 crores for the year ended 31st March

2025 and employs approx. 34000 employees. The company has been an exemplar in Sustainability Management. The following are the outcomes achieved:

Environmental:

Water Positive	For the last 23 years
Carbon Positive	For the last 20 years
Solid Waste Recycling Positive	For the last 18 years
Renewable Energy	52% of the total energy consumed
Green Buildings with Platinum Certification	17
Plastic Neutral	Since 2021-22
Net Zero Carbon Emission	By 2050 (no carbon emission)

Social:

No Lost Time Accident	52 units
Employment	241 million man-days
Generated	
through	
Social and Forestry Initiatives	

ICICI Bank Ltd.

ICICI Bank Ltd. is an Indian multinational Bank and financial services company. The total deposits as on 31st March 2025 stood at approximately 16100 billion INR. As per the Sustainability Report of the Bank, the following are the ESG related outcomes:

Environmental:

Carbon Neutrality	Scope 1 and Scope 2 by 2032.
Paper Use	79% Sustainable and Recyclable.

Renewable Energy	38% of total energy consumption
Trees Planted	1.2 million in fiscal 2025

Social:

Sustainable Financing Outstanding as at 31st March 25 – 1000 billion

Governance:

Risk Governance	Resilient Framework in place
Data Governance	Robust Framework in place
Cybersecurity Response Team	Dedicated Cybersecurity Incident in place

Tata Motors Limited

Tata Motors Limited is an Indian multinational automotive company engaged in the manufacture and sale of cars, trucks, buses and vans. Their Sustainability Goals are as under:

Environment:

Net Zero Emission	By 2045 for Commercial Vehicles business
Use of 100% renewable electricity	By 2030
Water Neutral	By 2030
Zero Waste to Landfill	By 2030

Governance:

Diversity- 30% of leaders to be women – Target 2030

Reliance Industries Limited

Reliance Industries Limited is an Indian conglomerate with businesses in energy, petrochemicals, natural gas, retail, entertainment, telecommunications, mass media and textiles.

It employed 400000 people as at 31st March 2025 and had a turnover of Rs.1071174 crores for the year ending on that date. The ESG performances are detailed below:

Environment:

O2C Business	Move towards complete removal of carbon emission by use of renewable energy sources (solar and green hydrogen)
Net Carbon Zero	By 2035
Packaging	Largest recycler of PET bottles in the country

Social:

Health, Safety and Environment	Project CASHe: Safety of a Person overrides all production targets
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CASE STUDIES ON FAILURES IN CORPORATE GOVERNANCE

There have been cases where governance in companies has been absent leading to the companies winding down. Following are a few illustrations:

Enron Corporation

Enron Corporation was a US Company engaged in the operation of gas pipelines, electricity plants, paper plants and water plants across the globe. The company also traded in a similar array of products and services. Enron filed for bankruptcy in 2001 after accounting frauds came to light. Enron were apparently inflating their profits hiding losses in associates which caught up with them.

The Securities Exchange Commission of the US investigated the scandal and some of the executives were handed jail terms for their conspiring in the matter. Shareholders lost US \$ 40 billion in market capitalisation and the Company was dissolved.

The failure in Enron was largely a failure in corporate governance. The following were considered as the major causes for the downfall:

- Improper revenue recognition
- Inappropriate mark to market accounting of investments.
- Creation of Special Purpose Vehicles to hide losses
- Lack of Board Oversight on Complex Financial Accounting
- Executive Compensation based on short term performance
- Poor Risk Management
- Ineffective Financial Audit

Lehman Brothers Inc

Lehman Brothers was an American global financial services firm (the fourth largest bank in the US) founded in 1850. The Company filed for bankruptcy in 2008 with over 25000 employees losing their jobs. The financial crisis of 2008 was in part created by the bankruptcy of Lehman Brothers.

The main reasons for the failure of Lehman Brothers were:

- Use of accounting gimmicks to inflate profits
- The sub-prime mortgage crisis where housing loans were provided at below cost and for far higher amounts than the intrinsic cost.

Satyam Computer Services Ltd.

Satyam Computer Services Ltd was an Indian Information Technology Services Company. The Company employed around 52000 employees and was one of the top five IT companies from India. The Company's offerings included software development, system maintenance, packaged software integration and engineering design services.

In January 2009, the Company's Chairman admitted to inflating the company's assets by US \$ 1 billion. The Company's share price collapsed to Rs 11.50 from Rs.544/-. The Government

overturned the Board and the Mahindra group took over the Company and later merged the Company with Tech Mahindra.

The reasons for the collapse were found to be:

- Falsification of accounts to increase profits
- Poor Governance from the independent directors
- Poor oversight by the auditors.

Infrastructure Leasing and Financial Services Ltd. (IL&FS)

IL&FS was a major infrastructure financing and development company in India. It was created by public sector banks and insurance companies to focus on infrastructure lending and development. The Company had over 250 subsidiaries.

In 2018 two of the subsidiaries defaulted on its debt obligations and it was later discovered that there were several irregularities and fraudulent activities within the Company. Like in the Satyam Case, the Government revamped the Board to get the Company back on its heels. At that point in time, the Company had over 90000 crores to be recovered as debt and an equivalent liability.

The new Board has been able to resolve 55000/- crore of debt till now. The number of subsidiaries has been slashed and aggressive asset disposal is being pursued.

The reasons for the poor state of affairs at IL&FS are:

- Complex operations through a maze of subsidiaries
- Huge Compensation to Senior Management bypassing approval procedures
- Lack of oversight by the promoters (Public sector banks and Insurance companies)
- Poor supervision by RBI
- Inadequate review on credit proposals leading to NPAs.

INSTITUTIONS PROMOTING CORPORATE GOVERNANCE

Several institutions have been established for promoting governance in Companies. A few of them are discussed below:

Organisation for Economic Cooperation and Development (OECD)

The Organisation for Economic Cooperation and Development (OECD) is a unique forum established in 1961 where the governments of 36 member states work with each other as well as with 70 non-member states to promote economic growth, prosperity and sustainable development. India is not a member but a key partner in the deliberations. OECD is headquartered in Paris, France.

The OECD Principles of Corporate Governance, the revised edition of which was released in 2023, provide guidance on how companies should manage their governance responsibilities.

International Corporate Governance Network (ICGN)

Established in 1965, in the UK, the main objectives of ICGN are to:

- Engage with policy makers, standard setters and regulators on the legal framework of Governance
- Bring together the member community to share their views and learn from each other
- Share the knowledge of their experts in governance and stewardship.

ICGN's members are large institutional investors who manage assets of around US\$ 90 trillion.

National Foundation for Corporate Governance (NFCG)

The Ministry of Corporate Affairs in the year 2003 set up the National Foundation for Corporate Governance with the vision of being the key facilitator and the reference point for corporate governance standards in India.

The NFCG is set up in partnership with the Confederation of Indian Industry, The Institute of Company Secretaries of India, The Institute of Chartered Accountants of India, The Institute of Cost Accountants of India and the National Stock Exchange.

NFCG endeavours to create a business environment that promotes voluntary adoption of good corporate governance practices.

The Asian Corporate Governance Association (ACGA)

Based out of Hong Kong, the Asian Corporate Governance Association is an independent non-profit organisation dedicated to working with investors, companies and regulators in the implementation of effective corporate governance practices throughout Asia.

The Association was founded in 1999 on the belief that good corporate governance is fundamental to the development of Asian economies and capital markets.

ACGA focusses on three areas:

Research – tracking corporate governance developments across 12 markets of the Asia Pacific

Advocacy – engaging with all stakeholders including the government on practical issues affecting the regulatory environment

Education – Organising conferences and seminars to improve the understanding of the benefits of good governance.

ICSI Guiding Principles on Stewardship

The role of Institutional Investors and Service Providers in capital markets is of paramount importance. Worldwide, they are expected to invest responsibly on behalf of their clients and/or beneficiaries by stepping up their monitoring activities and engagement efforts with Investee entities on various Environmental, Social and Governance (ESG) parameters. These actions are generally referred to as “Stewardship Responsibilities” with an objective to safeguard the interest of clients and/or beneficiaries.

The list of ICSI Guiding Principles on Stewardship (IGPS):

PART A: For Institutional Investors

IGPS A1: Defining Mission, Investment Philosophies, Strategy and Governance Culture.

IGPS A2: Internal Governance.

IGPS A3: Monitoring the Investee Entities.

IGPS A4: Identifying and Responding to Market-Wide and Systemic Risks.

IGPS A5: Continuous Engagement with the Investee Entities.

IGPS A6: Taking Collaborative Approach in Exercising Stewardship Responsibilities.

IGPS A7: Identifying and Managing Conflicts of Interest.

IGPS A8: Integrating Material Environmental, Social and Governance (ESG) Factors.

IGPS A9: Exercising and Protecting Voting Rights.

IGPS A10: Reporting Stewardship Activities.

Part B: For Service Providers

IGPS B1: Defining Mission, Strategy and Governance Culture.

IGPS B2: Internal Governance

IGPS B3: Identifying and Responding to Market-Wide and Systemic Risks

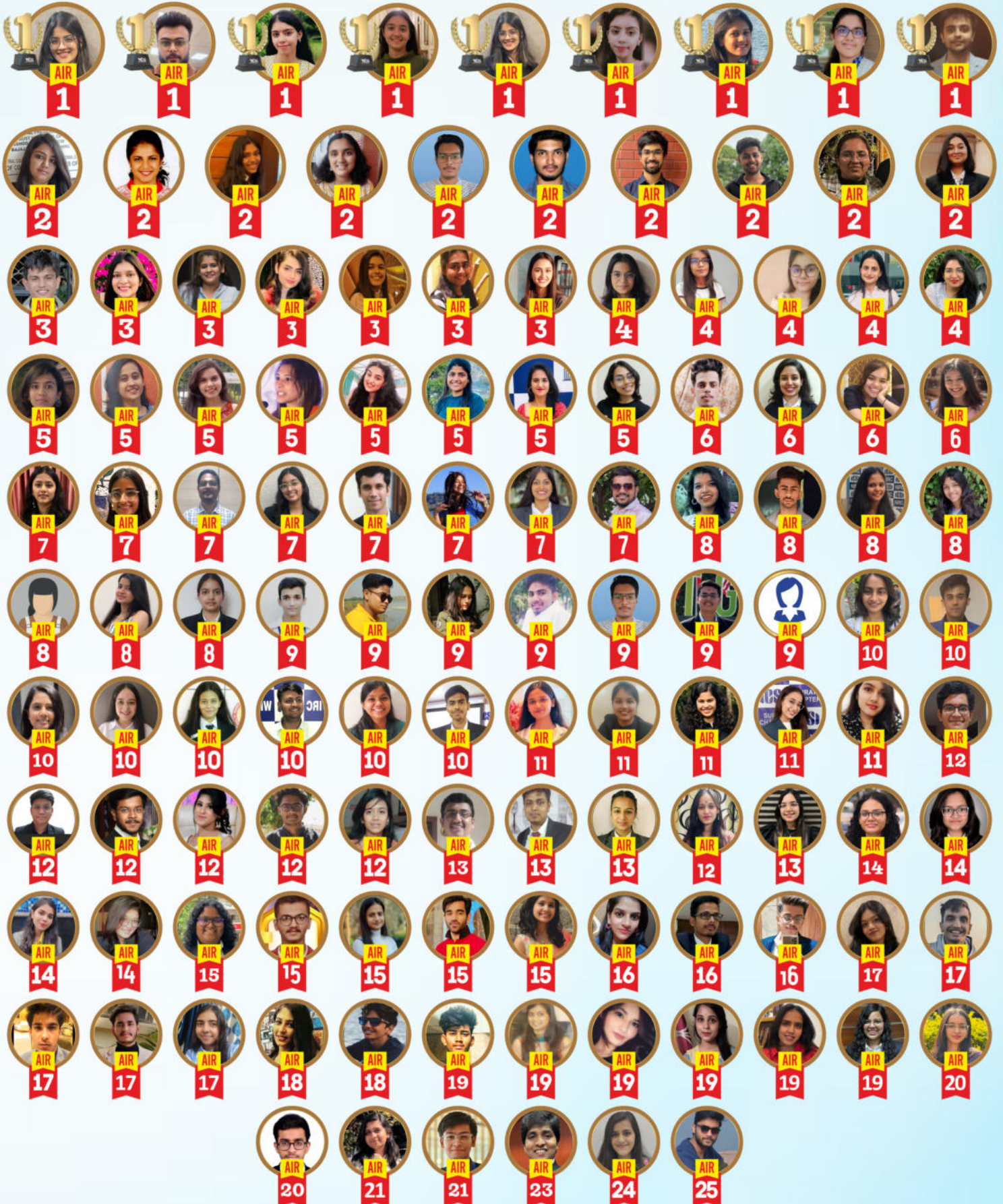
IGPS B4: Identifying and Managing Conflicts of Interest

IGPS B5: Integrating Clients' Stewardship

IGPS B6: Reporting Stewardship Activities

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