

Key Notes

(c) **Fiscal Reforms.** The greatest problem confronting the Indian Govt. is excessive fiscal deficit.

Fiscal Deficit - It means country is spending more than its income

Gross Domestic Product (GDP) - It is the sum total of the financial value of all goods & services produced in a year in a country.

(d) **Monetary Reform** - It is a sort of control policy through which the central bank controls the supply of money with a view to achieving objectives of general economic policy.

(e) **Capital Market Reforms-** The Govt. has taken the following steps for the development of this market:

(1) SEBI has been established.

(2) The restriction in respect of interest on debentures has been lifted.

(3) Private Sector has been permitted to establish Mutual Fund.

- **Dismantling Price control** - The govt. has taken steps to remove price control in many products especially in fertilizers, iron and steel, petro products. Restrictions on the import of these things have also been removed.

- **Impact of Government Policy Changes on Business and Industry:**

(a) **Increasing Competition:** De-licensing and entry of foreign firm's Indian market is increased the level of competition for Indian firms.

(b) **More Demanding Customers:** Now customers are more aware and they keep maximum information of the market as the result of which now market is customer/buyer oriented, Now, products are produced keeping in mind the demands of the customers.

(c) **Rapid Changing Technological Environment:** Rapid Technological advancement has changed/improved the production process as a result of which maximum production is possible at minimum cost but it leads to tough challenges in front of small firms.

(d) **Necessity for Change-** After New Industrial. Policy the market forces (demand & supply) are changing at a very fast rate. Change in the various components of business environment has made it necessary for the business firms to modify their policies & operations from time to time.

(e) **Need for Developing Human Resources:** The changing market conditions of today requires people with higher competence and greater commitment, hence there is a need for developing human resources which could increase their effectiveness and efficiency.

(f) **Market Orientation:** Earlier selling concept was famous in the market now its place is taken by the marketing concept. Today firms produce those goods & services which are required by the customers. Marketing research, educational advertising, after sales services have become more significant.

(g) **Reduction in budgetary Support to Public Sector:** The budgetary support given by the government to the public sector is reducing thus the public sector has to survive and grow by utilizing their own resources efficiently.