Unit I

Definition of Business

Business is a „Human activity directed towards providing or acquiring wealth through buying and selling goods‟--- L.H. Haney

- **Characteristics of Business:-**

1) Easy to start and easy to close: -

The form of business should be such that it should be easy to start and easy to close. There should not be hassles or long procedures in the process of setting up business or closing the same.

2) **Division of labour**: - there should be possibility to divide the work among the available owners the idea is to poll the expertise of all the people in business and run the business most efficiently.

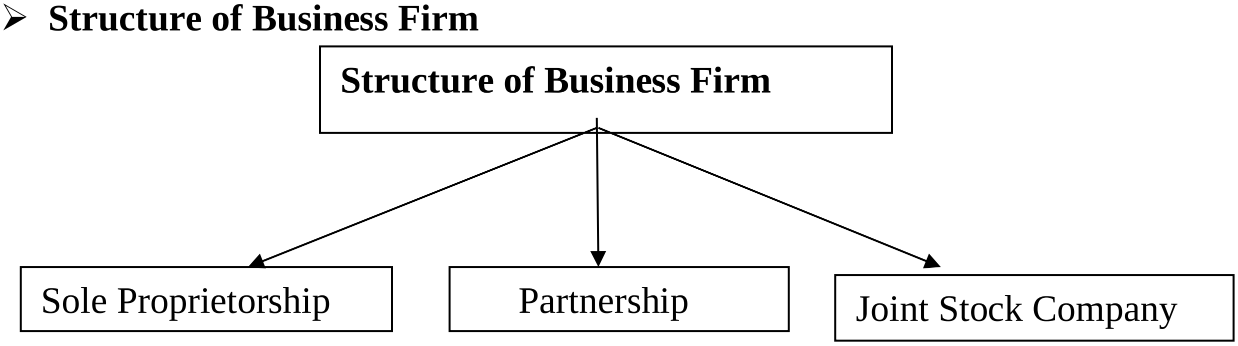
3) **Liability**: - the liability of the owners should be limited to the extent of money invested in the business. It is better if their personal properties are not brought into business to make up the losses of the business.

4) Exchange: - Business involves exchange of goods and services for money or Money’s worth.

5) Profit Motive: - Business activity is motivated by desire to earn profit business has other objectives apart from. But profit is desired as a fair compensation for the efforts of the businessman.

6) Secrecy: - The form of business organization you select should be such that it should permit to take care of the business secrets. We know that century old business units are still surviving only because they could successfully guard their business secrets.

- **Structure of Business Firm**



1. **Sole Proprietorship**: 'Sole' means single and 'proprietorship' means ownership. It means only one person or an individual becomes the owner of the business. A business enterprise exclusively owned, managed and controlled by a single person with all authority, responsibility and risk, is known as sole proprietorship form of business organization.

- **Characteristics of Sole Proprietorship**

1. **Single Ownership:** That individual owns all assets and properties of the business. Consequently, he alone bears all the risk of the business.
2. **No sharing of Profit and Loss:** The entire profit arising out of sole proprietorship business goes to the sole proprietor. If there is any loss it is also to be bear by the sole proprietor alone. Nobody else shares the profit and loss of the business with the sole proprietor.
3. **One man's Capital:** The capital required by a sole proprietorship form of business organization is totally arranged by the sole proprietor. He provides it either from his personal resources or by borrowing from friends, relatives, banks or other financial institutions.
4. **One-man Control:** The controlling power in a sole proprietorship business always remains with the owner. The owner or proprietor alone takes all the decisions to run the business. Of course, he is free to consult anybody as per his liking.
5. **Unlimited Liability:** The liability of the sole proprietor is unlimited. This implies that, in case of loss the business assets along with the personal properties of the proprietor shall be used to pay the business liabilities.
6. **Less Legal Formalities**: The formation and operation of a sole proprietorship form of business organization requires almost no legal formalities. It also does not require to be registered. However, for the purpose of the business and depending on the nature of the business, the sole proprietorship has to have a seal. He may be required to obtain a license from the local administration or from the health department of the government, whenever necessary.

- **Advantages of Sole Proprietorship**

The sole proprietorship form of business is the most simple and common in our country. It has the following advantages:

1. **Easy to Form and Wind up**: A sole proprietorship form of business is very easy to form. With a very small amount of capital you can start the business. Just like formation it is also very easy to wind up the business. It is your sole discretion to form or wind up the business at any time.
2. **Direct Motivation:** The entire profits of the business go to sole tader. Nobody will share this reward with him. This provides strong motivation for the sole proprietor to work hard.
3. **Quick Decision and Prompt Action:** In a sole proprietorship business the sole proprietor alone is responsible for all decisions. Of course, he can consult others. But he is free to take any decision on his own. Since no one else is involved in decision making it becomes quick and prompt action can be taken on the basis of this decision.
4. **Better Control**: In sole proprietorship business the proprietor has full control over each and every activity of the business. It is possible to exercise better control over business.
5. **Maintenance of Business Secrets:** Business secrecy is an important factor for every business. It refers to keeping the future plans, technical competencies, business strategies, etc. In the case of sole proprietorship business, the proprietor is in a very good position to keep his plans to himself. There is no need to disclose any information to others.
6. **Close Personal Relation:** The sole proprietor is always in a position to maintain good personal contact with the customers and employees. Direct contact enables the sole proprietor to know the individual likes, dislikes and tastes of the customers. Also, it helps in maintaining close and friendly relations with the employees and thus, business runs smoothly.
7. **Flexibility in Operation:** The sole proprietor is free to change the nature and scope of business operations as and when required as per his decision.
8. **Encourages Self-employment**: Sole proprietorship form of business organization leads to creation of employment opportunities for people. Not only is the owner self-employed, sometimes he also creates job opportunities for others.

- **Limitations of Sole Proprietorship**.
  1. **Limited Capital:** In sole proprietorship business, it is the owner who arranges the required capital of the business. It is often difficult for a single individual to raise a huge amount of capital.
  2. **Unlimited Liability:** In case the sole proprietor fails to pay the business obligations and debts arising out of business activities, his personal properties may have to be used to meet those liabilities.
  3. **Lack of Continuity**: The existence of sole proprietorship business is linked to the life of the proprietor. Illness, death or insolvency of the owner brings an end to the business. The continuity of business operation is therefore uncertain.
  4. **Limited Size:** In sole proprietorship form of business organization there is a limit beyond which it becomes difficult to expand its activities
  5. **Lack of Managerial Expertise**: A sole proprietor may not be an expert in every aspect of management. He/she may be an expert in administration, planning, etc., but may be poor in marketing management.

2. Partnership

Indian Partnership Act, 1932, defines partnership as “a relation between persons who have agreed to share the profits of a business carried on by all or any of them acting for all”.

- **Features of Partnership**

1. **Two or more Members:** At least two members are required to start a partnership business. But the number of members should not exceed 10 in case of banking business and 20 in case of other business. If the number of members exceeds this maximum limit then that business cannot be termed as partnership business.
2. **Agreement:** Whenever you think of joining hands with others to start a partnership business, first of all, there must be an agreement between all of you.
3. **Sharing of Profit -** The main objective of every partnership firm is sharing of profits of the business amongst the partners in the agreed proportion.

4. **Unlimited Liability -** Just like the sole proprietor the liability of partners is also unlimited. That means, if the assets of the firm are insufficient to meet the liabilities, the personal properties of the partners, if any, can also be utilized to meet the business liabilities.
5. **Restriction on Transfer of Interest -** No partner can sell or transfer his interest to any one without the consent of other partners.

- **Advantages of partnership form of business organization**

Partnership form of business organization has certain advantages, which are as follows –

A) Easy to form: Like sole proprietorship, the partnership business can be formed easily without any legal formalities. It is not necessary to get the firm registered. A simple agreement, either oral or in writing, is sufficient to create a partnership firm.

b) Availability of large resources - Since two or more partners join hand to start partnership business it may be possible to pool more resources as compared to sole proprietorship. The partners can contribute more capital, more effort and also more time for the business.

c) Better decisions - The partners are the owners of the business. Each of them has equal right to participate in the management of the business. In case of any conflict they can sit together to solve the problems. Since all partners participate in decision-making, there is less scope for reckless and hasty decisions.

d) Flexibility in operations - The partnership firm is a flexible organization. At any time the partners can decide to change the size or nature of business or area of its operation. There is no need to follow any legal procedure. Only the consent of all the partners is required.

e) Sharing risks - In a partnership firm the entire partners share the business risks. For example, if there are three partners and the firm suffers a loss of Rs. 12,000 in a particular period, then all partners may share it and the individual burden will be Rs. 4,000 only.

f) Protection of interest of each partner - In a partnership firm every partner has an equal say in decision making. If any decision goes against the interest of any partner he can prevent the decision from being taken. In extreme cases a dissenting partner may withdraw himself from the business and can dissolve it.

g) Benefits of specialization - Since all the partners are owners of the business they can actively participate in every aspect of business as per their specialization and knowledge.

Limitations of Partnership form of Business Organization

In spite of all these advantages as discussed above, a partnership firm also suffers from certain limitations.

a) Unlimited Liability: All the partners are jointly as well as separately liable for the debt of the firm to an unlimited extent. Thus, they can share the liability among themselves or any one can be asked to pay all the debts even from his personal properties.

b) Uncertain Life: The partnership firm has no legal entity separate from its partners. It comes to an end with the death, insolvency, incapacity or the retirement of any partner. Further, any dissenting member can also give notice at any time for dissolution of partnership.

c) Limited Capital: Since the total number of partners cannot exceed 20, the capital to be raised is always limited. It may not be possible to start a very large business in partnership form.

d) No transferability of share: If you are a partner in any firm you cannot transfer your share of interest to outsiders without the consent of other partners. This creates inconvenience for the partner who wants to leave the firm or sell part of his share to others.

- **Types of Partners**

a) Active partners - The partners who actively participate in the day-to-day operations of the business are known as active or working partners. They contribute capital and are also entitled to share the profits of the business. They are also liable for the debts of the firm.

b) Dormant/Sleeping partners - Those partners who do not participate in the day-to-day activities of the partnership firm are known as dormant or sleeping partners. They only contribute capital and share the profits or bear the losses, if any.

c) Nominal partners - These partners only allow the firm to use their name as a partner. They do not have any real interest in the business of the firm. They do not invest any capital, or share profits and also do not take part in the conduct of the business of the firm. However, they remain liable to third parties for the acts of the firm.

d) Minor as a partner -A person under 18 years of age is not eligible to become a partner. However in special cases a minor can be admitted as partner with certain conditions. A minor can only share the profit of the business. In case of loss his liability is limited to the extent of his capital contribution for the business.

e) Partner by estoppels - If a person falsely represents himself as a partner of any firm or behaves in a way that somebody can have an impression that such person is a partner and on the basis of this impression transacts with that firm then that person is held liable to the third party. The person who falsely represents himself as a partner is known as partner by estoppel.

Example. Suppose in Ram Hari & Co firm there are two partners. One is Ram, the other is Hari. If Giri- an outsider represents himself as a partner of Ram Hari & Co and transacts with Madhu then Giri will be held liable for any loss arising to Madhu. Here Giri is partner by estoppel.

f) Partner by holding out - In the above example, if either Ram or Hari declares that Gopal is a partner of their firm and knowing this declaration Gopal remains silent then Gopal will be liable to those parties who suffer losses by transacting with Ram Hari & Co with a belief that Gopal is a partner of that firm. Here Gopal is liable to those parties who suffer losses and Gopal will be known as partner by holding out.

- **Partnership Deed**

Partnership comes into existence as a result of agreement among the partners. The agreement can be either oral or written. The Partnership Act does not require that the agreement must be in writing. But wherever it is in writing, the document, which contains terms of the agreement, is called 'Partnership Deed'. Contents of the Partnership Deed the Partnership Deed usually contain the following details:

- Names and Addresses of the firm and its main business;
- Names and Addresses of all partners;
- Amount of capital to be contributed by each partner;
- The accounting period of the firm;

- The date of commencement of partnership;
- Rules regarding operation of Bank Accounts;
- Profit and loss sharing ratio;
- Rate of interest on capital, loan, drawings, etc;
- Mode of auditor's appointment, if any;
- Salaries, commission, etc, if payable to any partner;
- The rights, duties and liabilities of each partner;
- Treatment of loss arising out of insolvency of one or more partners;
- Settlement of accounts on dissolution of the firm;
- Method of settlement of disputes among the partners;
- Rules to be followed in case of admission, retirement, death of a partner
- Any other matter relating to the conduct of business. Normally, the partnership deed covers all matters affecting relationship of partners amongst themselves. However, if there is no express agreement on certain matters, the provisions of the Indian Partnership Act, 1932 shall apply.

- **Meaning of Joint Stock Company:** It is a voluntary association of persons who generally contribute capital to carry on a particular type of business, which is established by law and can be dissolved only by law.
  The companies in India are governed by the Indian Companies Act, 1956. The Act defines a company as an artificial person created by law, having a separate legal entity, with perpetual succession and a common seal.

  - **Characteristics of Joint Stock Company**

1. **Legal formation** No single individual or a group of individuals can start a business and call it a joint stock company. A joint stock company comes into existence only when it has been registered after completion of all formalities required by the Indian Companies Act, 1956.
2. **Artificial person** Just like an individual, who takes birth, grows, enters into relationships and dies, a joint stock company takes birth, grows, enters into relationships and dies. However, it is called an artificial person as its birth, existence and death are regulated by law and it does not possess physical attributes like that of a normal person.

3. **Separate legal entity** Being an artificial person, a joint stock company has its own separate existence independent of its members. It means that a joint stock company can own property, enter into contracts and conduct any lawful business in its own name. The shareholders are not the owners of the property owned by the company. Also, the shareholders cannot be held responsible for the acts of the company
4. **Common seal** A joint stock company has a seal, which is used while dealing with others or entering into contracts with outsiders. It is called a common seal as it can be used by any officer at any level of the organization working on behalf of the company. Any document, on which the company's seal is put and is duly signed by any official of the company, become binding on the company.
5. **Perpetual existence** A joint stock company continues to exist as long as it fulfills the requirements of law. It is not affected by the death, lunacy, insolvency or retirement of any of its members.
6. **Limited liability** in a joint stock company, the liability of a member is limited to the extent of the value of shares held by him. While repaying debts.

- **Advantages of Joint Stock Company**

1. **Large financial resources:** A joint stock company is able to collect a large amount of capital through small contributions from a large number of people.
2. **Limited Liability**: In case of a company, the liability of its members is limited to the extent of the value of shares held by them. Private property of members cannot be attached for debts of the company. This advantage attracts many people to invest their savings in the company and it encourages the owners to take more risk.
3. **Large-scale production:** Due to the availability of large financial resources and technical expertise it is possible for the companies to have large-scale production. It enables the company to produce more efficiently and at lower cost.
4. **Research and Development:** Only in company form of business it is possible to invest a lot of money on research and development for improved processes of production, new design, better quality products, etc. It also takes care of training and development of its employees

- **Limitations of Joint Stock Company**

1. **Difficult to form:** The formation or registration of joint stock company involves a complicated procedure. A number of legal documents and formalities have to be completed before a company can start its business. It requires the services of specialists such as Chartered Accountants, Company Secretaries, etc. Therefore, cost of formation of a company is very high.
2. **Delay in policy decisions:** Generally policy decisions are taken at the Board meetings of the company. Further the company has to fulfill certain procedural formalities. These procedures are time consuming and therefore, may delay action on the decisions.
3. **Concentration of economic power and wealth in few hands:** A joint stock company is a large-scale business organization having huge resources. This gives a lot of economic and other power to the persons who manage the company. Any misuse of such power creates unhealthy conditions in the society, e.g., having monopoly over a particular business or industry or product; exploitation of workers, consumers and investors.
4. **Excessive government control:** Joint stock companies are regulated by government through Companies Act and other economic legislations. Particularly, public limited companies are required to adhere to various legal formalities as provided in the Companies Act and other legislations. Non-compliance with these invites heavy penalty. This affects the smooth functioning of the companies.

- **Procedure for formation of a company**

Section 3(1) of the Indian companies Act1956.There are two certificates obtained in the formation of the company

There are three basic documents, which are prepared and filed with the Registrar during the formation of a company. These are:

I. Certificate of incorporation

(1) Memorandum of Association (MOA)

(2) Articles of Association (AOA)

1. Memorandum of association (MOA) The Memorandum of Association is the principal document in the formation of a company. It is called the charter of the company. It contains the fundamental conditions upon which the company is allowed to be incorporated or registered. It defines the limitations of the powers of the company. The purpose of memorandum is to enable the shareholders, creditors and those who deal with the company to know what its permitted range of activities or operations is. It defines the relationship of the company with the outside world. The Memorandum of Association usually contains the following six clauses:

(a) **Name Clause:** It contains the name by which the company will be established. As you know, the approval of the proposed name is taken in advance from the Registrar of the companies.
(b**) Situation Clause:** It contains the name of the state in which the registered office of the company is or will be situated. The exact address of the company's registered office may be communicated within 30 days of its incorporation to the Registrar of Companies.
(c**) Objects Clause:** It contains detailed description of the objects and rights of the company, for which it is being established. A company can undertake only those activities which are mentioned in the objects clause of its memorandum.
(d) **Liability Clause:** It contains financial limit up to which the shareholders are liable to pay off to the outsiders on the event of the company being dissolved or closed down.
(e**) Capital Clause:** It contains the proposed authorized capital of the company. It gives the classification of the authorized capital into various types of shares, (like equity and preference shares) with their numbers and nominal value. A company is not allowed to raise more capital than the amount mentioned as its authorized capital.

However, the company is permitted to alter this clause as per the guidelines prescribed by the companies Act.
(f) **Subscription Clause:** It contains the name and address of at least seven members in case of public limited company and two members in case of a private limited company, who agree to associate or join hands to get the undertaking registered as a company. It contains a declaration by persons who are desirous of being formed into and agree to subscribe to the number of shares mentioned against their names.

2. Articles of Association (AOA) The Articles of Association of a company contain the various rules and regulations for the day to day management of the company. These rules are also called the bye-laws. It covers various rights and powers of its members, duties of the management and the manner in which they can be changed. It defines the relationship between the company and its members and also among the members themselves. The rules given in the AOA must be in conformity with the Memorandum of Association.

Articles of Association of a company generally contain rules and regulations with regard to the following matters: (a) Preliminary contracts (b) Use and custody of common seal (c) Allotment, calls and lien on shares (d) Transfer and transmission of shares (e) Forfeiture and re-issue of shares (f) Alteration of share capital (g) Issue of share certificates and share warrants (h) Conversion of shares into stock (i) Procedure of holding and conducting company meetings (j) Voting rights and proxies of members (k) Qualification, appointment, remuneration and power of Directors (l) Borrowing powers and methods of raising loans (m) Payment of dividends and creation of reserves (n) Accounts and audit (o) Winding up.

II. Certificate of commencement of business

Prospectus After getting the Certificate of Incorporation or Registration a public limited company invites the public to subscribe to its shares. This is done by issuing a document called Prospectus. Under the Companies Act, a prospectus has been defined as "any document described or issued as a prospectus and includes any notice, circular, advertisement or other document, inviting deposits from the public or inviting offers from the public for the subscription or purchase of shares or debentures of a company or body corporate".

The main objectives of issue of a prospectus are: (a) to inform the public about the company; (b) to induce people to invest in the shares or debentures of the company; and (c) to provide an authentic information about the company and the terms and conditions of issue of shares and debentures.

(a) General information regarding the name, office of the company, stock exchange where shares are to be listed, date of opening and closing of the issue, credit rating information, name of underwriters, brokers and bankers. (b) Capital structure of the company. (c) Terms of payment and application procedure. (d) Company management and details of the project and project report. (e) Other listed companies under the same management. (f) Outstanding litigations and defaults. (g)Management perception of risk factors

- **Theory of the firm**

A firm is an entity that draws various types of factors of production in different amounts from the economy, and converts them into desirable output(s), through a process with the help of suitable technology. Every business has some objective, which provides the framework for all the functions, strategies and managerial decisions of that business.

I. Maximization Theories

1. **Profit Maximization Theory** Objective of business is generation of the largest amount of Profit = (Total Revenue-Total Cost). Traditionally, efficiency of a firm measured in terms of its profit generating capacity

Criticism

Confusion on period of time

Confusion on measure of profit

Validity questioned in competitive markets

2. **Baumol's Theory of Sales Revenue Maximization** In competitive markets firms aim at maximizing revenue through maximization of sales. Dichotomy of managers' goals and owners' goalsvSales volumes determine market leadership in competition. Manager's salary and other benefits linked with sales volumes, rather than profits. Managers attach their personal prestige to the company's revenue or sales. Managers maximize firm's total revenue, instead of profits.

Criticism

Insufficient empirical evidence

3. Marris' Hypothesis of Maximization of Growth Rate

Two sets of goals: Owners (shareholders) aim at profits and market share (Uo)

Managers aim at better salary, job security and growth (Um)

Both achieved by maximizing balanced growth of the firm G = GD = GC

Growth rate of demand for the firm's products (GD) and

Growth rate of capital supply to the firm (GC)

Constraints in the objective of maximization of balanced growth:

Managerial Constraint: Non availability of managerial skill sets in required size creates constraints for growth

Financial Constraint: debt equity ratio (r1), liquidity ratio (r2) and retained profit ratio (r3)

II Behavioral Theories

1. **Simon's Satisfying Model**

Biggest challenge before modern businesses is lack of full information and uncertainty about future. The objective of maximizing either profit, or sales, or growth is not possible. The firm has to operate under "bounded rationality". they act as constraints to rational decision making. Can only aim at achieving a satisfactory level of profit, sales and growth.

2. **Model by Cyert and March** The firm should be oriented towards multi goals and multi decision making instead of dealing with inadequate information and uncertainty. The firm should fulfill the conflicting goals of various stakeholders, such as shareholders, employees, customers, financers, govt and other social interest groups.

- **Types of Business Entities**

There are various forms of business entities

1. Private Ltd Company
2. Public Ltd Company
3. Unlimited Company
4. Sole proprietorship
5. Joint Hindu Family business
6. Partnership
7. Cooperatives
8. Limited Liability Partnership(LLP)

1. **Private Ltd Company**

A private company has the following features:

1. Restricts the right of the shareholders to transfer their shares.
2. Has a minimum of 2 and maximum of 50 members.
3. does not invite public to subscribe to its share capital
4. Must have a minimum paid up capital of Rs. 1 lakh or such a higher amount which may be prescribed from time to time.

2. **Public Ltd Company:**

A public Ltd company has the following characteristics:

1. It allows the shareholders to transfer their shares.
2. Has a minimum of 7 members, and for maximum there is no limit.
3. it invites the general public to subscribe to its shares
4. Must have a minimum paid up capital of Rs 5 lakh or such a higher amount as may be prescribed from time to time.

3. **Unlimited Company**

Unlimited Company is a form of business organization under which the liability of all its members is unlimited. The personal assets of the members can be used to settle the debts. It can at any time re-register as a limited company under section 32 of the Companies Act.

4. **Sole proprietorship**

Sole proprietorship is a form of business entity where a single individual handles the entire business organization. He is the sole recipient of all profits and bearer of all loses. There is no separate law that governs sole proprietorship.

5. **Joint Hindu Family**

Joint Hindu Family is a form of business organization wherein the members of a family can only own and manage the business. It is governed by Hindu Law.

6. **Partnership**

Partnership is "the relation between persons who have agreed to share the profits of the business carried on by all or any one of them acting for all". It is governed by the Indian Partnership Act 1932.

7. **Co-operatives**

Co-operatives is a form of voluntary organization, wherein the members work together for the promotion of the interests of its members. There is no restriction to the entry or exit of any member. It is governed by Cooperative Societies Act 1912.

8. **Limited Liability Partnership**

Under LLP (Limited Liability Partnership) the liability of at least one member is unlimited whereas rest all the other members have limited liability, limited to the extent of their contribution in the LLP. Unlike general partnership this kind of partnership does not get terminated by the death or insolvency of the limited partners. It is governed by Limited Liability Partnership Act of 2008.

- **Sources Of Finance** Every business requires some amount of money to start and run the business. Whether it is a small business or large, manufacturing or trading or transportation business, money is an essential requirement for every activity. Money required for any activity is known as finance.

  Every business needs funds mainly for the following purposes:

1. **To purchase fixed assets:** Every type of business needs some fixed assets like land and building, furniture, machinery etc. A large amount of money is required for purchase of these assets.
2. **To meet day-to-day expenses:** After establishment of a business, funds are needed to carry out day-to-day operations e.g., purchase of raw materials, payment of rent and taxes, telephone and electricity bills, wages and salaries, etc
3. **To fund business growth:** Growth of business may include expansion of existing line of business as well as adding new lines. To finance such growth, one needs more funds.
4. **To meet contingencies:** Funds are always required to meet the ups and downs of business and for some unforeseen problems.
5. **Promotion of sales:** In this era of competition lot of money is to be spent on activities for promoting sales. This involves advertisement, personal selling, use of sales promotional schemes, providing after sales service and free home delivery, etc. which need huge amount of funds.

1**. Long term finance:** long term finance available for a long period say five years and above. The long term methods outlined below are used to purchase fixed assets such as land and buildings, plant and so on.

a) **Own capital:** irrespective of the form of organization such as soletrader, partnership or a company, the owners of the business have to invest their own finances to start with. Money invested by the owners, partners or promoters is permanent and will stay with the business throughout the life of business.

b) **Share capital:** normally in the case of a company, the capital is raised by issue of shares. The capital so raised is called share capital. The share capital can be of two types, preference share capital and equity share capital.

c) **Debentures:** debentures are the loans taken by the company. It is a certificate or letter by the company under its common seal acknowledging the receipt of loan. A debenture holder is the creditor of the company. A debenture holder is entitled to a fixed rate of interest on the debenture amount. d) **Government grants and loans:** government may provide long term finance directly to the business houses or by indirectly subscribing to the shares of the companies. The government gives loans only if the project satisfies certain conditions, such as setting up a project in a notified area, or ventures into projects which are beneficial for the society as a whole.

e) Bank loans ; bank loans are extended at a fixed rate of interest. Repayment of the loan and interest are scheduled at the beginning and are usually directly debited to the current account of the borrower. These are secured loans.

2. **Short Term Finance**

a. **Commercial paper:** it is new money market instrument introduced in india in recent times. Cps are issued in large denominations by the leading, nationally reputed, highly rated and credit worthy, large manufacturing and finance companies in the public and private sector. The proceeds of the issue of commercial paper are used to finance current transactions and seasonal and interim needs for funds.

b. Bank overdraft: this is special arrangement with the banker where the customer can draw more than what he has in his saving/ current account subject to a maximum limit. Interest is charged on a day to day basis on the actual amount overdrawn.

c. Trade credit: this is short term credit facility extended by the creditors to the debtors, normally; it is common for the traders to buy the materials and other supplies from the suppliers on credit basis. After selling the stocks the traders pay the cash and buy fresh stocks again on credit. Sometimes, the suppliers may insist on the buyer to sign a bill.

- **Non Conventional sources of finance**

The different types of alternative sources of finance are listed as below:

1. Leasing
2. Franchising
3. Forfeiting
4. Peer-to-peer Platform

5. Crowdfunding
6. Angel Investors
7. Venture Capitalists

Leasing

1. A lease is defined as an agreement between the lessor (owner of the asset) and the lessee (user of the asset), wherein, the lessor purchases an asset for the lessee and allows him to use it in exchange of periodic payments called lease rentals or minimum lease payments (MLP).
2. The lessee is bound to pay the lease rental to the lessor for the use of the assets. After the end of the period of the contract, the asset is transferred back to the lessor.
3. It refers to the renting of an asset for a certain period of time.
4. Parties involved include lease broker, lessor, lessee, and the lease assets.

Franchising

1. Franchising is the model in which the Company that does not have enough capital to expand, gives its franchise rights to an individual or a company.
2. The company giving rights is called 'franchisor' while the company being given the franchise is called 'franchisee'.
3. It is an arrangement where one party grants or licenses some rights and authorities to another party.
4. Franchising is a well-known marketing strategy to expand the business.

Types of Franchise:

1. **Product franchise:** An agreement where manufacturers allow retailers to distribute their products and use names and trademarks.
2. **Business format franchise:** An agreement in which the franchisor provides the franchisee with an established business, including name and trademarks for the franchisee to run independently.
3. **Management franchise**: The franchisee provides the management expertise, format and/ or procedure for conducting the business.

Forfeiting

1. It is a form of financing of receivables arising out of international business. Wherein, a bank or financial institution undertakes the purchase of trade bills or promissory notes without recourse to the seller.
2. Purchases are made through discounting of the documents, hence covering the entire risk of payment failure at the time of collection.
3. All risks become the full responsibility of the purchase
4. Forfeiture pays cash to the seller after the discounting of the said notes or bills.

Peer-to-peer (P2P) Lending

1. Peer-to-peer lending is a form of direct lending of money to businesses or individuals without any official participation of any financial institution as an intermediary in the agreement
2. It is generally done through online platforms that relate lenders with potential borrowers
3. Peer-to-peer lending offers both secured and unsecured loans. However, most of the loans are unsecured personal loans. Secured loans are an exception and are usually backed by luxury goods.

Services provided by P2P Platforms:

1. Finding new lenders and borrowers
2. Verification of borrower identity, bank account, income, and employment history
3. Legal compliance and reporting
4. Performing borrower credit checks and sorting out the unqualified ones
5. Servicing loans, providing customer service to borrowers, and attempting to collect payments from borrowers who are in default

Crowdfunding

1. It is the practice of funding a project by raising money from a large group of people.
2. It is a way of raising capital using the social networking sites like Facebook or Twitter or by using some popular crowdfunding websites
3. Crowdfunding helps improve the presence of small businesses and startups across social media, it increases their investment base, and funding prospects.

4. Various types of crowdfunding include debt-based, equity-based, cause-based, rewards-based, software value token, litigation, etc.

Venture Capital

1. It refers to that capital and knowledge which are given for the formation and setting up of companies, especially to those who possess any new methodologies or technology.
2. It is not merely a way of acquiring funds into a new firm but also a parallel support of the skills required to set up the firm, devising its marketing strategy, organizing, and its management as well.

Angel Investors

1. They are an individual or a group of individuals who invest their own money
2. They invest in the early stages of the company and in return opt for a share in the company
3. Angel investors typically invest less money that the venture capitalists
4. They are not involved much in the functions and management of the company. However, they may advise and ask for reports and status.

- **Economics** is the science that deals with production, exchange and consumption of various commodities in economic systems. It shows how scarce resources can be used to increase wealth and human welfare.

- **Wealth Definition:** Adam smith (1723 - 1790), in his book "An Inquiry into Nature and Causes of Wealth of Nations"
- **Lionel Robbins** published a book "An Essay on the Nature and Significance of Economic Science" in 1932.According to him, "economics is a science which studies human behavior as a relationship between ends and scarce means which have alternative uses"

- **Types of Economics**

1. **Micro Economics:** Microeconomics is the branch of economics that concentrates on the behaviour and performance of the individual units, i.e. consumers, family, industry, firms. Here, the demand plays a key role in determining the quantity and the price of a product along with the price and quantity of related goods (complementary goods) and substitute products, so

as to make a judicious decision regarding the allocation of scarce resources, concerning their alternative uses.

Examples: Individual Demand, Price of a product, etc.

2. **Macro Economics:** Macroeconomics is the branch of economics that concentrates on the behaviour and performance of aggregate variables and those issues which affect the whole economy. It includes regional, national and international economies and covers the major areas of the economy like unemployment, poverty, general price level, GDP (Gross Domestic Product), imports and exports, economic growth, globalization, monetary/ fiscal policy, etc. It helps in resolving the various problems of the economy, thereby enabling it to function efficiently.

Examples: Aggregate Demand, National Income, etc.

Key Differences between Micro and Macro Economics

The points given below explain the difference between micro and macro economics in detail:

1. Microeconomics studies the particular market segment of the economy, whereas Macroeconomics studies the whole economy that covers several market segments.
2. Micro economics stresses on individual economic units. As against this, the focus of macro economics is on aggregate economic variables.
3. While microeconomics is applied to operational or internal issues, environmental and external issues are the concern of macro economics.
4. Microeconomics deals with an individual product, firm, household, industry, wages, prices, etc., while Macroeconomics deals with aggregates like national income, national output, price level, etc.
5. Microeconomics covers issues like how the price of a particular commodity will affect its quantity demanded and quantity supplied and vice versa while Macroeconomics covers major issues of an economy like unemployment, monetary/ fiscal policies, poverty, international trade, etc.
6. Microeconomics determines the price of a particular commodity along with the prices of complementary and the substitute goods, whereas the Macroeconomics is helpful in maintaining the general price level.
7. While analyzing any economy, micro economics takes a bottom-up approach, whereas the macroeconomics takes a top-down approach into consideration.

- **Inflation:** is the sustained increase in the general price level of goods and services in an economy over a period. Inflation will lead to an overall increase in the prices of goods. Inflation is measured as an annual change to the percentage of increase in prices of goods or services. Under inflation, the prices of goods increase over time and thus the ability to buy goods or services with the same amount of money will reduce. When prices rise and currencies fall, it is known as inflation.

- **Causes of Inflation**

1. Demand-Pull inflation:

According to this hypothesis. An increase in the demand for certain goods increases their prices. If the demand for a goods or services is high and their supply is less, then prices will increase. This happens when economies are growing fast.

2.* Cost-Push Inflation*:

The hypotheses states that inflation happens under the circumstances that the production costs of the company manufacturing the goods rises and therefore leading to an increase in the prices of the goods.

3. Monetary inflation:

According to the theory, inflation is caused when there is an increased supply of cash or money in the economy.

- **National Income:** NI is the money value of all the final goods and services produced by a country during a period of one year.NI consists of a collection of different types of goods and services. Since these goods are measured in different physical units (i.e. kgs, litres, metres).we can’t state national income in terms of kgs, litres, metres.so it has common measure i.e. called money value.

The important concepts of national income are:
1. Gross Domestic Product (GDP)
2. Gross National Product (GNP)
3. Net National Product (NNP) at Market Price
4. Net National Product (NNP) at Factor Cost or National Income

5. Personal Income
6. Disposable Income

1. Gross Domestic Product (GDP): Gross Domestic Product (GDP) is the total market value of all final goods and services produced within the domestic territory of a country in a year.

GDP=P*Q; P=price of goods and services= Quantity of goods and services.

GDP indicate economic wealth of a country as well as standard living of the residence.

2. Net Domestic Product (NNP): Production of goods and services involves consumption or reduction in value of assets is called depreciation.

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NDP= GDP- depreciation

3. Gross National Product (GNP): GNP refers to market value of all final goods and services produced by residence of a country within and outside its border.

- **GNP=GDP (+) Income earned by India from abroad (NFIA) (-) Income earned by foreigners in India.**

4. **Net National Product (NNP) at Market Price**: NNP is the market value of all final goods and services after providing for depreciation. That is, when charges for depreciation are deducted from the GNP we get NNP at market price. Therefore'

NNP = GNP – Depreciation

Depreciation is the consumption of fixed capital or fall in the value of fixed capital due to wear and tear.

5. Personal Income: Personal income is the sum of all incomes actually received by all individuals or households during a given year. In National Income there are some income, which is earned but not actually received by households such as Social Security contributions, corporate income taxes and undistributed profits. On the other hand there are income (transfer payment), which is received but not currently earned such as old age pensions, unemployment doles, relief payments, etc. Thus, in moving from national income to personal income we must subtract the incomes earned but not received and add incomes received but not currently earned. Therefore, Personal Income = National Income – Social Security contributions – corporate income taxes – undistributed corporate profits + transfer payments.

6. Disposable Income: From personal income if we deduct personal taxes like income taxes, personal property taxes etc. what remains is called disposable income. Thus,

Disposable Income = Personal income – personal taxes.

Disposable Income can either be consumed or saved. Therefore,

Disposable Income = consumption + saving.

- **Importance of National Income**

1. Since income is a flow of wealth changes in the national income give some indication of economic welfare.

2. National income is used to compare standards of living in different countries.

3. National income figures are used to measure the rate of growth of a country.

4. The national income accounts make it possible for an analysis of the behavior of the different sectors of the economy.

5. Inflationary and deflationary pressures can be estimated with the help of national income statistics.

6 National income statistics can be used to forecast the level of business activity at later date, and to find out trends in other annual data.

7. The national income figures are useful in providing a correct sense of proportion about the structure of the economy.

8. In war time, the study of components of national income is of great importance because they show the maximum possible production possibilities of the country.

9. National income statistics can be used to determine how an international financial burden should be an apportioned between different countries. The quantum of national income measures the ability of a country to pay

contributions for international purposes, just as the income of a person measures his ability to pay for the upkeep of his country.

Inflation and Money Supply

The money supply is the total amount of money in an economy, including currency and deposit money. The money supply can affect inflation, which is the rate at which the average price of goods and services increases over time. According to the quantity theory of money, inflation occurs when the money supply increases faster than the economy's output

- **M1 (Narrow Money)**: Currency with the public + Deposit money of the public (Demand deposits with the banking system + 'Other' deposits with the RBI).
- **M**2: M1 + Savings deposits with Post office savings banks.
- **M3 (Broad Money)**: M1+ Time deposits with the banking system = Net bank credit to the Government + Bank credit to the commercial sector + Net foreign exchange assets of the banking sector + Government's currency liabilities to the public – Net non-monetary liabilities of the banking sector (Other than Time Deposits).
- **M4 (Broad Money)**: M3 + All deposits with post office savings banks (excluding National Savings Certificates).

➢ **Business cycle:** The term business cycle refers to economy wide fluctuations in production, trade and general economic activity. The business cycle is the upwards and downwards movements of levels of GDP and refers to the period of expansion and contraction in the level of economic activities around a long term growth trends.

➢ **Features of Trade Cycle**

The characteristics or features of trade cycle are:-

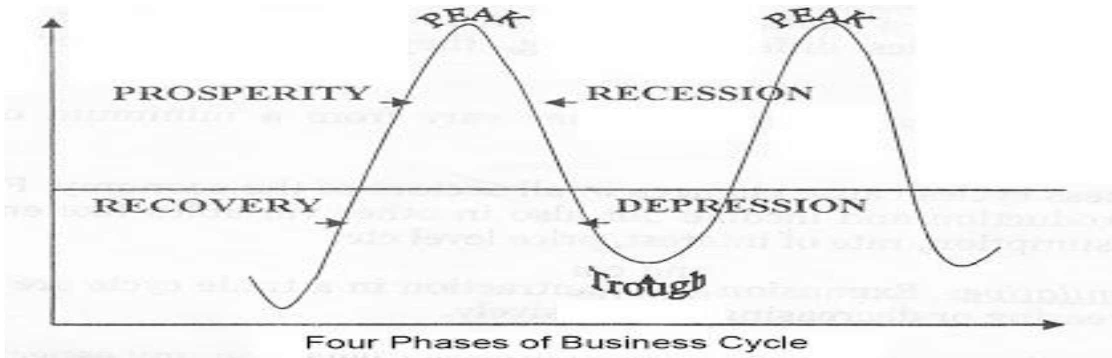
- **Movement in Economic Activity:** A trade cycle is a wave-like movement in economic activity showing an upward trend and a downward trend in the economy.
- **Periodical:** Trade cycles occur periodically but they do not show the same regularity.

- **Different Phases:** Trade cycles have different phases such as Prosperity, Recession, Depression and Recovery.
- **Different Types:** There are minor and major trade cycles. Minor trade cycles operate for 3-4 years, while major trade cycles operate for 4-8 years or more. Though trade cycles differ in timing, they have a common pattern of sequential phases.
- **Duration:** The duration of trade cycles may vary from a minimum of 2 years to a maximum of 12 years.
- **Dynamic:** Business cycles cause changes in all sectors of the economy. Fluctuations occur not only in production and income but also in other variables like employment, investment, consumption, rate of interest, price level, etc.
- **Phases are Cumulative:** Expansion and contraction in a trade cycle are cumulative, in effect, i.e. increasing or decreasing progressively.
- **Uncertainty to businessmen:** There is uncertainty in the economy, especially for the businessmen as profits fluctuate more than any other type of income.
- **International Nature:** Trade Cycles are international in character. For e.g. Great Depression of 1930s.

➢ **Four Phases of Business Cycle**

Business Cycle (or Trade Cycle) is divided into the following four phases:-

1. Prosperity Phase: Expansion or Boom or Upswing of economy.
2. Recession Phase: from prosperity to recession (upper turning point).
3. Depression Phase: Contraction or Downswing of economy.
4. Recovery Phase: from depression to prosperity (lower turning Point).
5. Expansion: Also known as a boom or upswing, this phase is when the economy expands.



The business cycle starts from a trough (lower point) and passes through a recovery phase followed by a period of expansion (upper turning point) and prosperity. After the peak point is reached there is a declining phase of recession followed by a depression. Again the business cycle continues similarly with ups and downs.

1. Prosperity Phase: When there is an expansion of output, income, employment, prices and profits, there is also a rise in the standard of living. This period is termed as Prosperity phase.

The features of prosperity are:-

- High level of output and trade.
- High level of effective demand.
- High level of income and employment.
- Rising interest rates.
- Inflation.
- Large expansion of bank credit.
- Overall business optimism.
- A high level of MEC (Marginal efficiency of capital) and investment.

Due to full employment of resources, the level of production is Maximum and there is a rise in GNP (Gross National Product). Due to a high level of economic activity, it causes a rise in prices and profits. There is an upswing in the economic activity and economy reaches its Peak. This is also called as a Boom Period.

2. Recession Phase: The turning point from prosperity to depression is termed as Recession Phase. During a recession period, the economic activities slow down. When demand starts falling, the overproduction and future investment plans are also given up. There is a steady decline in the output, income, employment, prices and profits. The businessmen lose confidence and become pessimistic (Negative). It reduces investment. The banks and the people try to get greater liquidity, so credit also contracts. Expansion of business stops, stock market falls. Orders are cancelled and people start losing their jobs. The increase in unemployment causes a sharp decline in income and aggregate demand. Generally, recession lasts for a short period.

3. Depression Phase: When there is a continuous decrease of output, income, employment, prices and profits, there is a fall in the standard of living and depression sets in.

The features of depression are:-

- Fall in volume of output and trade.
- Fall in income and rise in unemployment.
- Decline in consumption and demand.
- Fall in interest rate.
- Deflation.
- Contraction of bank credit.
- Overall business pessimism.
- Fall in MEC (Marginal efficiency of capital) and investment.

In depression, there is under-utilization of resources and fall in GNP (Gross National Product). The aggregate economic activity is at the lowest, causing a decline in prices and profits until the economy reaches its Trough (low point).

4. Recovery Phase: The turning point from depression to expansion is termed as Recovery or Revival Phase. During the period of revival or recovery, there are expansions and rise in economic activities. When demand starts rising, production increases and this causes an increase in investment. There is a steady rise in output, income, employment, prices and profits. The businessmen gain confidence and become optimistic (Positive). This increases investments. The stimulation of investment brings about the revival or recovery of the economy. The banks expand credit, business expansion takes place and stock markets are activated. There is an increase in employment, production, income and aggregate demand, prices and profits start rising, and business expands. Revival slowly emerges into prosperity, and the business cycle is repeated.

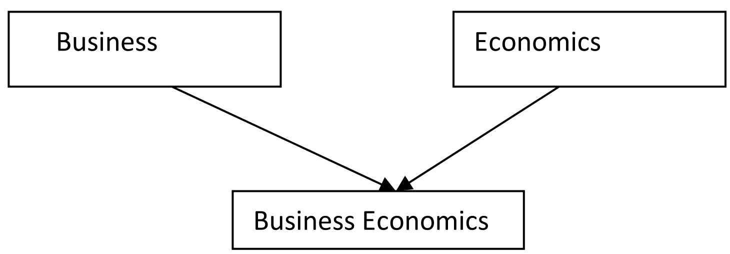
Thus we see that, during the expansionary or prosperity phase, there is inflation and during the contraction or depression phase, there is a deflation.

5**. Expansion and Boom**: The various characteristics of economy in its expansion phase are increase in output, increase in investment, increase in employment, increase in aggregate demand, and increase in sales, increase in profits, increase in wholesale and retail prices, increase in per capita output and rise in standard of living. There is absence of involuntary unemployment but structural and frictional unemployment prevails in the economy.

- **Business Economics**

Introduction: Business Economics is playing an important role in our daily economic life and business practices. Manager of business firm uses the economic thoughts and concepts to solve the problems prevailing in business activities. Everyday business manager has to face different problems, while running the business. They would be solved with the help of economic theories.

Managerial Economics was formerly known as "Business Economics." It is also called as "Applied Economics". The world Business Economics is formed from the two worlds Business and Economics.



Definition: 'McNair and Meriam' defined it as "Managerial Economics consists of the use of Economic modes of thought to analyze business situations.

Applications

1. Use of optimum techniques to improve organizational decisions
2. Understanding individual and market demand decisions to forecast demand
3. Understanding markets
4. Analyze cost and supply structure to understand supply decisions
4. Understanding external factors like unemployment, inflation.

- **characteristics of business economics**

1. **Close to microeconomics:** Managerial economics is concerned with finding the solutions for different managerial problems of a particular firm. Thus, it is more close to microeconomics.

2. **Operates against the backdrop of macroeconomics:** The macroeconomics conditions of the economy are also seen as limiting factors for the firm to operate. In other words, the managerial economist has to be aware of the limits set by the macroeconomics conditions such as government industrial policy, inflation and so on.

3**. Normative statements:** A normative statement usually includes or implies the words 'ought' or 'should'. They reflect people's moral attitudes and are expressions of what a team of people ought to do. For instance, it deals with statements such as 'Government of India should open up the economy. Such statement are based on value judgments and express views of what is 'good' or 'bad', 'right' or ' wrong'. One problem with normative statements is that they cannot to verify by looking at the facts, because they mostly deal with the future. Disagreements about such statements are usually settled by voting on them.

4. **Prescriptive actions:** Prescriptive action is goal oriented. Given a problem and the objectives of the firm, it suggests the course of action from the available alternatives for optimal solution. If does not merely mention the concept, it also explains whether the concept can be applied in a given context on not. For instance, the fact that variable costs are marginal costs can be used to judge the feasibility of an export order.

5. **Applied in nature:** 'Models' are built to reflect the real life complex business situations and these models are of immense help to managers for decision-making. The different areas where models are extensively used include inventory control, optimization, project management etc. In managerial economics, we also employ case study methods to conceptualize the problem, identify that alternative and determine the best course of action. 6. **Offers scope to evaluate each alternative:** Managerial economics provides an opportunity to evaluate each alternative in terms of its costs and revenue. The managerial economist can decide which is the better alternative to maximize the profits for the firm.

- **Scope Of Business Economics**

1**. Demand Analysis:** The manager thinks about the demand for his firm's product. A firm can survive if it is able to cater the demand for its product in market at the proper time and in the right quantity. A firm can economically stand in the market, when its goods are cautiously demanded and sold in the market. Manager looks to the market demand of his firm's product.

He made the accurate estimate of demand and makes the decisions. Before he come to the final conclusions manager of every business firm can study the basic concepts and theories of demand analysis in economics as law of demand, demand forecasting, elasticity of demand and their variant factors.

2. Theory of production: Theory of production is also called as the theory of firm. Along with the cost of production it also consists the firm's revenue. It includes the rel1ationship between various factors of production, input-output analysis, capital - labour ratio, optimum production, break even analysis etc. These economic concepts help to business manager in solving the problems related with the production.

3. **Cost-Analysis:** Cost of production is very significant factor in the process of production. Therefore every manager must to possess a good knowledge of cost analysis it includes various kinds of costs, which are very essential in decision making. The various factors responsible for the variation in cost estimates must be given due weightage. These cost estimates are necessary in future planning. There is uncertainty in regards to cost due to unknown factors. Cost estimates are very essential for most sound profit planning. Hence to find out the firms cost of production the knowledge of cost analysis is very essential for business manager. It includes various costs concepts cost output analysis, economies of scale, production function, cost control etc.

4. Pricing theories: Managerial economics deals with the pricing theories. Pricing of a product incurs income to the firm. The success of the firm can be comprised in a sound pricing policy of its product, how the price is to be determined in various forms of market such as perfect competition, monopoly, monopolistic competition, oligopoly, duopoly etc. What conditions are affecting on the pricing process in different markets should be known by the manager of a business firm. Therefore he has to possess the good knowledge of market forms with the help of this knowledge he can form a sound pricing policy. It means that knowledge of pricing theories helps him to formulate good pricing policy and it further assists to decision making.

5. Theory of profit: Profit maximization is a aim of business firm making profit in long run is a sign of successful entrepreneur. Profit depends on various factors such as internal factors and external factors. These factors are many in number e. g. demand for product, input prices, factor prices, competition, economic policy, business risks and the amount of investment etc. Knowledge of sound profit earning policy and techniques of profit planning are also important to business manager. Economic theory provides this knowledge.

6. Resource Allocation: Managerial economics also deals with the problem of optimum allocation of resources. Resources are scare, so they should be allocated efficiently to different uses by the manager. In order to solve the problem of resource allocation the manager should possess the knowledge of input-output analysis, linear programming etc. With the help of these economic analysis methods manager arrives to the final conclusions in respect of his decision making.

7. Capital-Investment Analysis: The capital budgeting involves planning and control of capital expenses. This topic consists of cost of capital, rate of return. Selection of project, Cost-benefit analysis etc. The knowledge of Capital Theory helps to take investment decisions.

8. Inventory Management: Every firm requires raw material. It would be stored in inventories. What would be the ideal stock of inventories? How the stock of inventories should be maintained and controlled? These are some of the problems which the manager has to solve. Knowledge of this stock inventory is achieved from economic theory.

- **Business Economics in Relation with other Disciplines(Multi-disciplinary nature)**

Business economics has a close linkage with other disciplines and fields of study. The subject has gained by the interaction with Economics, Mathematics and Statistics and has drawn upon Management theory and Accounting concepts. Managerial economics integrates concepts and methods from these disciplines and brings them to bear on managerial problems.

1. **Business Economics and Economics:**

Business Economics is economics applied to decision making. It is a special branch of economics, bridging the gap between pure economic theory and managerial practice.

2. **Business Economics and Theory of Decision Making**:

The theory of decision making is relatively a new subject that has significance for managerial economics. In the process of management such as planning, organizing, leading and controlling, decision making is always essential. Decision making is an integral part of today's business management. A manager faces a number of problems connected with his/her business such as production, inventory, cost, marketing, pricing, investment and personnel.

3. **Business Economics and operation Research**

Business economics depends heavily on the models and tools of operation research. Operation research subject used for solving complex problems of planning and allocation of scarce resources, primarily in defense industries. Linear programming, inventory models, game theory are a few tools that have useful to the operation researchers.

4. **Business Economics and Mathematics:**

Mathematical approach to economic theories makes them more precise and logical. For the estimation and prediction of economic factors for decision making and forward planning, mathematical method is very helpful. The important branches of mathematics generally used by a managerial economist are geometry, algebra and calculus.

5. **Business Economics and Statistics:**

Statistical tools are a great aid in business decision making. Statistical tools are used in collecting, processing and analyzing data. The statistical tools like, theory of probability, forecasting techniques, help the decision makers in predicting the future.

6. **Business Economics and Accounting:**

Managerial economics is closely related to accounting. It is recording the financial operation of a business firm. A business is started with the main aim of earning profit. Accounting provides the accounting data for taking business decisions. The accounting techniques are very essential for the success of the firm.

7. **Business Economics and Psychology**:

Psychology is the science of mind. It deals with all kind of human behavior. Business economics plays a vital role to understand the behavior of consumers, suppliers, investors, workers or an employee.

8. **Organizational Behavior and Business Economics**: OB helps the managers to understand the human behavior of employees for developing the firm.

Role of Business economist:

Business economists help businesses make decisions by providing a quantitative foundation for planning and decision-making. They use their expertise and experience to conduct research, collect and analyze data, monitor economic trends, and develop forecasts. They also apply economic theory to a variety of fields, including banking, finance, manufacturing, and education.

Business economists can help businesses in many ways, including:

Identifying problems

Business economists can help identify problems that a business may be facing.

Providing advice

Business economists can advise on business strategy, trade, and public relations. They can also help businesses pose questions that can guide the development of products, marketing, and investments.

Forecasting

Business economists can forecast spending, sales, and environmental conditions. They can also help businesses create strategic timelines for expansion and new services.

Analyzing trends

Business economists can compare consumer demand and sales trends to help optimize profits. They can also analyze changing economic situations in the country and abroad.

Managing capital and profit

Business economists can help businesses earn reasonable profits on invested capital by providing relevant information for making plans and strategies.

Business economists also need to maintain good relationships with internal and external parties, such as employees, suppliers, financial institutions, and government agencies.