Unit 2

Q.No 1) Illustrate the role of information and technology in the economic growth of the country.

Ans. Information and technology as new age technology plays a very crucial and vital role in driving the economic growth of any country. Information and technology has proved to be highly beneficial in all the sectors of an economy such as agricultural, manufacturing and services sectors. The positive impact of information and technology on the economy as a whole is illustrated as below.

1) Improvement in business productivity.

Productivity is a buzz word in business. Productivity essentially means producing optimum level of output by utilizing minimum or ideal set of inputs. With the help of information and technology the businesses are able to process the business information in a more efficient and in an intelligent manner. Better inputs management, process management and intelligent management of all the resources are resulting into better productivity across all the businesses.

2) Improvement in decision making process.

Decision making is an important organ of the business. One right and timely decision can improve the business operations and profit in a greater multiples. Information and technology is giving the business mangers intelligent business insights and helping them to take smart strategic business decisions which has resulted into better business management and better business performance.

3) Improvement in cost control

Overall cost control is an important challenge before the business. In a highly competitive environment controlling the cost is highly essential. With the help of various tools of information and technology the business organizations are getting ready-made insights as to where they need to control the cost. The scope of cost control has widened because of use of information and technology in to the businesses.

4) Improved visibility.

Medium and large scale businesses are having larger operating canvass. Manually it is very difficult to have clear visibility on the entire business operations. Use of information and technology is providing a very clear visibility and pin pointed analysis of every business corner. This helps management of the business to better control its entire business operations.

5) Improved human resource management.

Human resource is the backbone of every business. Out of the total cost of the business 60% cost is incurred on human resource. Hence it becomes highly essential to manage the human resource in a more efficient and intelligent manner. The use of information and technology and use of smart human resource tools are helping the organization to make the best use of their human capital.

Q. No. 2. Differentiate between labour intensive and capital intensive verses capital intensive industry.

Ans. **Labour intensive industry**

As the name suggests the labour intensive industries are those industries which are making use of more and more labours and less use of capital equipment or machineries. In labour intensive industries the degree of automation is less and the degree of manual functioning is more.

Small scale and some medium scale industries they are labour intensive industries. They employ more and more labours and less and less of capital.

Capital intensive industry

Conversely capital intensive industries are those industries which make use of more and more of high end technology which replaces the manpower. For example use of robotics, artificial intelligence, internet of things, business analytics, enterprise resource planning and cloud computing are some of the examples of technologies which are being used by large scale industries which are capital intensive.

- Labour intensive industries generate more employment opportunities while capital intensive industries generate less number of employment opportunities for highly skilled manpower.

- Labour intensive industries they are bye and large cash strap industries and as a result they do not have sufficient capital support to deploy high end and very costly technology.

- Capital intensive industries resort to technology tie-ups, technology collaborations through which they are able to import the best of the technology from around the world which is a costly affair.

- Labour intensive industries find it somewhat difficult to compete with the capital intensive industries because business operations of capital intensive industries are more efficient and they are able to scale up their businesses more easily.

- Labour intensive industries require a lot of support and incentives from the central, state and local government so that they can withstand the competition and manage their survival successfully.

Q. no 3.Illustrate the concept of Digital economy, digital age and digital divide.

Ans. **Digital economy.**

Digital economy essential refers to the fast penetration of information and technology in various sectors of an economy. For examples E- business, E- commerce, E- distributions, E- finance, E- banking, E- manufacturing, E- payment gateways and E- virtual education to name a few.

Digital economy is not a heavy weight economy but is a light weight economy which is faster, efficient and more users centric.

Digital economy is seamless and efficient.

Digital economy survives on efficient data speed, data storage and data analytics.

Digital economy handles the big data in an error free manner which is beyond the capacities of human being.

Digital economy assists in faster policy framing and long term decisions.

Digital economy improves the gross domestic product of the country.

Digital age

Digital age is an age of 21st century. It makes use of cutting edge and breakthrough technologies in real world applications.

Digital age is an age of constant digital innovations and digital applications.

Digital age addresses all the sectors of an economy.

Digital age creates efficient digital ecosystem for the entire nation.

Digital age has a capacity to transform the lifestyle of businesses and human being.

Digital divide

The concept of digital divide essentially means that some portion of the population are having easy and affordable access to the digital world such as internet and speed of internet while the rest of the population is painfully deprived of it because of lack of digital infrastructure.

Digital divide is generally observed in urban-rural divide Urban populace are having easy access whereas the rural populace are deprived of facilities due to deficit in rural infrastructure facilities like broad band services, smart handsets, information highways and purchasing power to purchase digital gadgets.

If a country wants to achieve faster economic growth than it becomes a primary responsibility of the government at all levels to mitigate the digital gap and digital divide by pumping in more and more investments.

Q. No. 4

Explain different phases of business cycle.

Every economy in the world passes through different phases. All these phases occur naturally in every economy. Understanding of different phases of business cycles helps government to formulate its fiscal policy accordingly, it helps central bank of the country to formulate the monetary policy accordingly, it helps business to take informed investment decisions and it allows the common man to plan his/her life accordingly.

Phases.

1- Expansion

Expansion is the first phase of business cycle in which solid economic expansion takes place. This is also called as a boom phase. It is a positive phase of an economy because economic activism is growing; overall investment in an economy is growing, employment opportunities are being created, gross domestic product of the country is increasing and standard of living of the people is increasing. Expansion phase gives positive economic vibes to all the participant agents of an economy.

2-Peak

When the momentum of expansion reaches to a highest level it is called as peak point of an economy. It is the point at which the resources in an economy are fully utilised; profits are maximum with healthy per-capita income.

3- Recession

Unfortunately such a dominant positive phase of an economy does not last for long. Now the economy enters into the recession. It means now there is a contraction in an economy. Economic activism is slowing down. Overall fresh investment in an economy is slowing down. Jobs are shrinking, gross domestic product of the country is lowering and so the employment and per-capita income of the country.

4- Depression.

When the phase of economic recession persists for long then the economy enters into depression. It is an unfortunate phase of promise less economy. It is full of negative business sentiments and poor investment scenarios leading to poverty.

5- Trough

Trough is a point when economy reaches to its maximum bottom level of depression.

6 – Recovery.

After having reached to the bottom of depression now the economy starts showing the signs of recovery. Consumption-investment-income cycle shows gradual improvements. It gives some relief to the investors, business communities, government and to the consumers. It is the phase which starts rebuilding the confidence in an economy,

After recovery again economy enters into a phase of expansion and these economic movements goes on in a cyclical manner.