

TEACHING IN COMMERCE

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**RELEVANCE OF COMMERCE TO INDUSTRY
AND TRADE**

STRUCTURE

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- 1.2 Objectives
- 1.3 Commerce : Meaning
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- 1.8 Let Us Sum Up
- 1.9 Lesson End Exercise
- 1.10 Suggested Further Readings
- 1.11 Answers to Check Your Progress

1.1 INTRODUCTION

It is said that whole life is a big schooling. One is never too old to learn. What is necessary is the willingness to learn. All knowledge is possible through the two eyes - curiosity and desire. Knowledge is like a vast, unfathomable ocean. Education may be liberal or it may be special. Young people, now a days, are generally guided by lucrative aims. Their main desire is to earn money and become rich. Very few aspire for knowledge for the sake of knowledge-the aim for the older generations. Business education offers good prospects for the ambitious person. Many of them join commerce colleges or take admission in commerce with the aim of getting good jobs.

Economic activities and aims dominate the minds of modern men. Business, commerce and industries are important branches of economic activities. Industries are said to be the backbone of national economy. Trade or business follows the flag. The Englishmen came to India as traders and ultimately became the masters. Commerce is at the moment a promising subject as a whole. In the present day world, almost every human activity is related with economy, whether in the shape of trade and industry or commerce and banking. Any concern which has transaction of money, a commerce graduate has his footing there.

1.2 OBJECTIVES

After going through this lesson, you shall be able to:

- explain the meaning of commerce with its importance,
- describe in detail the need and importance of trade and industry in the development of a nation,
- delineate the difference between industry, trade and commerce, and
- find out the relationship between industry, trade and commerce.

1.3 COMMERCE: MEANING

Commerce is a branch of business. It is concerned with the exchange of goods and services. It includes all those activities, which directly or indirectly facilitate that ex-

change.

Commerce looks after the distribution aspect of the business. Whatever is produced it must be consumed, to facilitate this consumption there must be a proper distribution channel. Here comes the need for commerce which is concerned with the smooth buying and selling of goods and services.

Definition of Commerce

According to **James Stephenson**,

“Commerce is an organized system for the exchange of goods between the members of the industrial world.”

In a broader sense,

“Commerce is that part of business which is concerned with the exchange of goods and services and includes all those activities which directly or indirectly facilitate that exchange.”

1.3.1 Importance of Commerce

The importance of trade and commerce are mentioned in following points:-

1. Commerce tries to satisfy increasing human wants

Human wants are never-ending. They can be classified as ‘Basic wants’ and ‘Secondary wants’. Commerce has made distribution and movement of goods possible from one part of the world to the other. Today we can buy anything produced anywhere in the world. This has, in turn, enabled man to satisfy his innumerable wants and thereby promoting social welfare.

2. Commerce helps to increase our standard of living

Standard of living refers to the quality of life enjoyed by the members of society. When man consumes more products his standard of living improves. To consume a variety of goods he must be able to secure them first. Commerce helps us to get what we want at the right time, right place and at the right price and thus helps in improving our standard of living.

3. Commerce links producers and consumers

Production is meant for ultimate consumption. Commerce makes possible to link producers and consumers through retailers and wholesalers and also through the aids to trade. Consumers get information about different goods through advertisements and salesmanship. The manufacturers are regularly informed about the likes and dislikes of consumers through marketing research. Thus commerce creates contact between the centres of production and consumption and links them.

4. Commerce generates employment opportunities

The growth of commerce, industry, and trade bring about the growth of agencies of the trade such as banking, transport, warehousing, advertising, etc. These agencies need people to look after their functioning. Increase in production results in increasing demand, which further results in boosting employment opportunities. Thus the development of commerce generates more and more employment opportunities for millions of people in a country.

5. Commerce increases national income and wealth

When production increases, the national income also increases. In a developed country, manufacturing industries and commerce together account for nearly 80% of total national income. It also helps to earn foreign exchange by way of exports and duties levied on imports. Thus, commerce increases the national income and wealth of a nation.

6. Commerce helps in expansion of aids to trade

With the growth in trade and commerce, there is a growing need for expansion and modernization of aids to trade. Aids to trade such as banking, communication, advertising and publicity, transport, insurance, etc., are expanded and modernized for the smooth conduct of commerce.

7. Commerce helps in growth of industrial development

Commerce looks after the smooth distribution of goods and services made available by the industry. Without commerce, the industry will find it difficult to keep the pace of production. It helps to increase demand for goods on one hand and

on the other hand, it helps industries by getting them the necessary raw materials and other services. Hence, commerce helps in attaining better division of labour and industrial progress.

8. Commerce encourages international trade

Through commerce, we can secure a fair and equitable distribution of goods throughout the world. With the help of transport and communication development, countries can exchange their surplus commodities and earn foreign exchange, which is very useful for importing machinery and sophisticated technology. It ensures the faster economic growth of the country.

9. Commerce benefits underdeveloped countries

Underdeveloped countries can import skilled labour and technical know-how from developed countries. While advanced countries can import raw materials from underdeveloped countries. This helps in laying down the seeds of industrialization in the underdeveloped countries.

10. Commerce helps during emergencies

During emergencies like floods, earthquakes, and wars, commerce helps in reaching the essential requirements like foodstuff, medicines and relief measures to the affected areas.

1.4 INDUSTRY : MEANING

Industry is the production of a goods or services within an economy. The major source of revenue of a group or company is the indicator of its relevant industry. When a large group has multiple sources of revenue generation, it is considered to be working in different industries. Manufacturing industry became a key sector of production and labour in European and North American countries during the Industrial Revolution, upsetting previous mercantile and feudal economies. This occurred through many successive rapid advances in technology, such as the production of steel and coal.

Business is an economic activity, concerned with the provision of goods and services with an aim of earning a profit. There is two major classification of business activities, i.e. industry and commerce. The **industry** is all about the production of goods, whereas

commerce focuses on their distribution of goods and services.

Industry implies all the activities that are concerned with the conversion of raw materials into finished goods. Conversely, commerce aims at providing goods at the right place, in proper quantity, in the right condition and at right time. In this article excerpt, we have compiled the basic difference between industry and commerce, have a look.

Definition of Industry

Economic activities associated with the procurement or extraction of raw materials and converting them into finished products which reach the final customer is known as an industry. The term ‘industry’ is used to denote those activities which involve the use of mechanical appliances and technical skills, i.e. activities with the manufacturing, production, and processing of products. It indicates the supply side of the market. The activities covered under industry are as under:

- Extraction of materials such as coal, petroleum etc.
- Conversion of raw materials into useful goods like soaps, fans, cement, etc.
- Construction of buildings, dams, roads etc.

1.4.1 Importance of Industries in Development

Importance of Industries in Development – Industrial sector is of great **Importance of Industries in Development of a country**. It is a proven fact that a country with strong industrial sector have shown more economic growth, had improved national income and promoted living standard of people. **Industrialization** has played an important role in improving the economic conditions of various countries like America and Japan, by removing unemployment. **Advantages of Industrialization** are as follows:

1. Economic Stability:

A country that only depends upon agriculture sector cannot achieve stability. There is an imbalance, only the man-power i.e. labour-intensive technology is being used. Hence, industrialization provides economic stability to the country where in the country is not solely dependent on only one sector. There is a balance between the contributions of both the sectors to the economy. You are reading ar-

ticle on **Importance of Industries in Development** of country.

2. Increase in foreign exchange reserve:

With the introduction of more and more industries, there will be a rise in foreign exchange earnings. The exports will rise and imports will start falling in numbers. There would be more cash inflow, self-sufficiency will increase.

3. Utilization of Natural Resources:

There may be a lot of resources lying unused like barren lands and minerals, which can be of no use to the agricultural or financial sectors of a country. Therefore industrial development would add to the utilization of such resources, which otherwise would have been completely wasted and their contribution in monetary terms would have been NIL.

4. Supports Agricultural, Defence and other sectors of economy:

With the development of industrial sector other sectors are also benefited. Industries provide machinery like tractors and modern inputs to the agricultural sector. It improves the working and live-style of the farmers. Industries also provides arms and ammunition for the defence of a country, without these the country will become extremely vulnerable. You are reading article on **Importance of Industries in Development of country**. And also the country cannot rely upon other countries for its provision. Industrialization also improves other sectors like transport, construction, communication, finance etc., as it provides infrastructure and other supportive elements for all these sectors.

5. Improvement of Balance of Payment and government revenue:

Due to industrialization, domestic goods i.e. goods manufactured by own country increases, and so does its exports. It is favourable for balance of payment because value of finished goods increases as compared to the primary goods. Collection of taxes like excise duty, indirect taxes, income taxes also increases with industrialisation.

6. Improvement in Investment and Spending:

Industrialization causes the income of people to rise, and improves their standard of living. There is a rise in income, and so rate of savings, rate of investment and rate of spending also rises automatically. This is an important event for the rapid growth of a country.

And last but not the least, it provides huge employment to the people of a country. Thereby eliminates most of the social and economic problems of a country, as unemployment is the root cause that has underpinned all the drawbacks for a country. The most **Importance of Industries** is to reduce unemployment.

1.4.2 Types of Industry

The industry represents a group of factories, specialized in a specific product line. The different types of industries are as under:

1. **Primary Industry:** Industry concerned with obtaining and providing natural raw materials like mining, agriculture or forestry.
2. **Secondary Industry:** Industry engaged in conversion activities, i.e. converting raw material provided by primary industry, into finished products.
3. **Tertiary Industry:** Industry that provides support services to the primary and secondary industry.

Commerce ensures the availability of goods and services to the customers, at the right time and place. It is broadly classified into two activities:

1. **Trade:** The process of buying and selling of goods and services for money.
2. **Auxiliaries to trade:** All the activities which assist trade directly or indirectly are auxiliaries to trade. It includes transportation, warehousing, banking & finance, advertising, insurance and so on.

1.4.3 Differences between Industry and Commerce

The significant differences between industry and commerce are discussed in detail, in the points given below:

1. The industry is defined as an economic activity, concerned with the procurement

and processing of raw materials into finished products, that reaches the customer. Commerce is described as a business activity, wherein exchange for goods and services for value is done on a large scale.

2. A huge capital investment is required to start an industry. On the other hand, commerce requires comparatively less capital investment.
3. Industry involves the conversion of resources into useful goods. As opposed to, commerce which involves activities that are essential for facilitating the buying and selling of goods.
4. The industry is an indicator of production part of business activities. Unlike commerce which deals with the making goods available to the customers, i.e. the distribution part.
5. Industry involves high risk in comparison to commerce.

Industry and Commerce cover all the aspects of business. Industry looks after production, procurement, fabrication, extraction, construction activities of business. On the other hand, Commerce looks after the movement of product from the source location through distribution channels (such as wholesalers, retailers, distributors, etc.), to the final consumer

Check Your Progress- 1

Note: a) Answer the questions given below.

b) Compare your answers with those given at the end of this lesson.

- 1) Define Commerce in the words of James Stephenson.

- 2) Write the points of importance of commerce?

- 3) Enlist the activities covered under Industry?

4) What are the different types of Industry?

1.5 TRADE: MEANING

Trade involves the transfer of the ownership of goods or services from one person or entity to another in exchange for other goods or services or for money. Possible synonyms of “trade” include “commerce” and “financial transaction”. Types of trade include barter. A network that allows trade is called a market. Trade includes sale, transfer or exchange of goods. It does not include other functions of commerce like transportation, insurance, banking, warehousing, etc. If there were no trade, the producers would have to find customers for their products.

Trade is the buying and selling of goods and services. It involves the direct exchange of goods and services for money or other goods, which is called barter. It is the transfer of goods and services from one person or entity to another, following payment or exchange of goods. It is sometimes called Commerce or Financial transaction or even barter. A network that allows trade is called a market.

Trade is an important factor of production, because in its absence, the producer or manufacturer will not do business, since every business is set up to make profit.

1.5.1 Importance of Trade

1. Trade enhances production of goods and services.
2. It creates employment even for people who cannot read or write.
3. It gives room for variety of items to be produced.
4. It creates relationship between buyers and sellers.
5. It helps in growth of industries.

6. It brings people of diverse culture and languages closely.
7. It brings development to a country.
8. It enhances movement of people from one place to another.
9. It promotes communication.
10. It brings technology closer to people.
11. Through trade, resources (raw materials) are converted into finished products for people to use.
12. It is a business one can start with little capital.
13. It enhances the social well being of citizens by exposing them to variety of quality products including luxury items.

1.5.2 Forms of Trade

Trade is divided into two main parts: Home Trade and Foreign Trade.

a) Home Trade:

This is the exchange of goods or the buying and selling of goods and services within a country. It is also known as domestic or internal trade and has two sub-divisions, wholesale trade and retail trade.

- i. **Wholesale Trade:** This involves buying goods in large quantity from the manufacturer/producer and selling in small quantities to the retailers. A person who does this is known as a wholesaler.

The wholesaler is often times called the middleman because he is in between the producer and the retailer.

- ii. **Retail Trade:** In this form of home trade, goods are bought in small quantities from the wholesalers or sometimes direct from the manufacturer and sold in units to the public or final consumers.

A retailer is a person who buys goods from the wholesaler or directly from the manufacturer and sells them in small quantities to the final consumers.

b) Foreign Trade:

This is the exchange, buying and selling of goods and services between two or more countries of the world. It is also known as international trade or external trade. Like home trade, Foreign trade is divided into three groups. They are Import trade, Export trade and Entrepôts trade.

- i. Import Trade: This is the bringing in of goods and services, knowledge and technology into a country from another country.
- ii. Export Trade: This is the selling of a country's home made goods and services to other countries of the world.
- iii. Entrepot: This type of trade involves the importing and re-exporting of goods, It is a trade of buying goods from a country and the goods are not sold in the country of import, but rather exported to other countries. For example, you import a goods into a country, then you also export that goods to another country, that is "Entrepot..."

Aids of Trades

These are factors which enhance the production and Distribution of goods and services. They are called "Aids" because they helps trade (buying and selling) to flourish.

Examples of Aids to Trade are:

- Banking
- Transportation
- Warehousing
- Insurance
- Communication
- Advertising
- Tourism

Banking : Banking aids trade in the following ways:

1. It helps in business activities by making money available to businessmen and

women.

2. It grants facilities to customers in the form of loans to do business.
3. It provides facilities for receipts and payments on behalf of those involved in trade.

Transportation : Transport plays a very crucial role in the world of commerce. It helps to make goods available where they are needed, and also enables people to move to where they buy goods. Transport is divided into land, air, water, and pipeline.

Warehousing : This is the storage of produced goods, ahead of demand (Surplus goods) or unit when needed.

- Warehousing protects the goods stored against deterioration and spoilage
- It creates time utility by providing the goods at the right time to consumers.
- It ensures that goods that have not being sold are kept untouched/untampered

Insurance

Insurance makes it possible for losses which result from different types of business risks to be recovered. Such risk may be fire outbreak, burglary, theft and natural disaster, If only the goods are properly insured.

Communication

Communication aids commerce by bringing two people (buyer and seller) into close contact, irrespective of distance. It enables a person to buy goods from a distance or oversea country without travelling to the area or the country.

Advertising

Advertising aids trade by bringing the existence of new goods and services to the knowledge of members of public or consumers.

Advertising can be carried out through media, magazine, radio, television, newspaper, billboards, handbills etc.

Tourism

It provides accommodation and services for people in business and other engagements. It makes a country popular, it creates employment opportunities.

1.5.3 Differences between Trade and Commerce

Following are the major differences between trade and commerce:

1. Trade is selling and buying of goods and services between two or more parties in consideration of cash and cash equivalents. Commerce includes the exchange of goods and services along with activities viz. banking, insurance, advertising, transportation, warehousing, etc. to complement the exchange.
2. Trade is a narrow term that merely includes the selling and buying whereas commerce is a wider term that includes exchange as well as the several revenues generating activities that complete the exchange.
3. Trade is generally done to satisfy the need of both the seller and the buyer which is more of a social perspective. Whereas the commerce is more economical in nature because of the involvement of several parties whose primary aim is to generate the revenue.
4. Trade is generally a single time transaction between the parties that may or may not reoccur. Whereas in commerce the transactions are regular and occur again and again.
5. The trade involves two parties the seller and the buyer who facilitates the exchange without employing anyone in between. Whereas in commerce exchange is done with the support of several departments there by giving them employment opportunities.
6. Trade provides a link between the seller and the buyer, the direct parties involved in the exchange. Whereas the commerce provides a link between manufacturer and the ultimate customer, who are not direct parties, with the help of several aides of distribution.
7. Trade represents both the side of demand and supply where both the parties know what is demanded and what is to be supplied. Whereas in commerce only the demand side is known i.e. what is demanded in the market and then making that available through various channels of distribution.
8. Trade requires more capital because the stock has to be kept ready that is entitled

to the sale and also the cash has to be kept ready for the immediate payment. Whereas in commerce the capital required is less because there are different parties involved who have to manage their resources individually without imposing a burden on one.

Hence it can be concluded that trade is the branch of commerce that deals in only the exchange of goods and services whereas commerce are the comprehensive term that includes all the major activities that facilitate the exchange and generates the revenue for all. Thus, we can say commerce is the branch of business that keeps everything together and makes the successful completion of the distribution of goods and services.

Check Your Progress- 2

Note : a) Answer the questions given below.

b) Compare your answers with those given at the end of this lesson.

- 1) A network that allows trade is called a_____.
- 2) Trade is_____and_____of goods and services.
- 3) Direct exchange of goods and services for money or other goods, is called_____.
- 4) Trade provides a direct link between_____and_____, while Commerce provides a link between_____and_____.

1.6 DIFFERENCE BETWEEN INDUSTRY, TRADE AND COMMERCE

Industry is related to production of goods and services. Commerce is related to distribution of products and trading is related to the transfer (exchange) of goods and services. There are several differences between Industry, Trade and Commerce on the basis of the explanations given above:

Major differences between industry, commerce and trade are as follows:

Basis	Industry	Trade	Commerce
Meaning	It involves manufacturing activities such as extraction, construction and production of goods.	It involves transfer or exchange of products distributed by commerce.	It involves distribution of products produced by industries.
Capital Requirement	Requires huge amount of capital to establish industry.	Requires less capital than industry and commerce.	Requires less amount of capital than industry but larger amount than trade to operate its activities.
Level of Risk	Riskier than commerce and trade.	Relatively less riskier than industry and commerce.	Less riskier than industry but involves high risk than trade.
Side	Supply side of the product.	Both side (demand and supply) of the product.	Demand side of the product.
Creation of Utility	It creates form utility.	It creates processing utility.	It creates time utility and place utility.
Place of Operation	It is operated in workshop or factory.	It is operated in the market.	It is operated from production centre to distribution centre.

1.7 RELATION BETWEEN INDUSTRY, TRADE AND COMMERCE

Business is divided into two categories: industry and commerce. Commerce is again sub-divided into trade and aids to trade. Practically all of them are closely related to each other. They are inseparable. All of them are parts of the whole business system. Industry and commerce are closely related to each other. Industry cannot exist without commerce and commerce cannot exist without industry. Because every producer has to

find his market for his products to sell. But the producer has no direct connection with the buyers or consumers. Hence, industry needs commerce. Commerce is concerned with the sale, transfer or exchange of goods and services. Hence commerce needs industry for the production of goods and services. Commerce makes the necessary arrangement for linking between producers and ultimate consumers. It includes all those activities that are involved in buying, selling, transporting, banking, warehousing of goods, and insurance for safeguarding the goods.

Trade includes sale, transfer or exchange of goods. It does not include other functions of commerce like transportation, insurance, banking, warehousing, etc. If there were no trade, the producers would have to find customers for their products. Therefore without trade there would be little need for commerce. Similarly trade without aids to trade is meaningless and they exist for trade.

In conclusion, we can say that industry, trade and commerce are inter-related with each other. Industry is concerned with production of goods and services and commerce arranges its sales; but the actual operation of sales is in the hands of trade. So they cannot work independently.

There is a close interrelationship between the different branches of business described above. One cannot function without the support of others. Commerce helps industry before and after production through the purchase of materials and the sale of finished products. Productions of goods and services is meaningless unless they are distributed among the consumers. Trade, involving buying and selling of goods, maintains a smooth flow of commerce and thereby supports industry. At the same time, industry provides the goods and services for distribution and thereby gives rise to commerce. As industry develops, trade and commerce also grow.



Industry, commerce and trade are closely related to each other. For example, industry provides goods and services which are distributed through commerce. No commercial activity is possible in the absence of industry and production. At the same time industry and production cannot survive unless the goods and services are distributed among consumer through commerce. Therefore, industry and commerce are interdependent. Industry provides the base for commerce and commerce serves as the backbone of industry.

Trade involves buying and selling of goods. It is the nucleus of commerce because all business activities revolve around or exchange. Trade provides the solid foundation upon which the superstructure of commerce has been raised. It provides necessary support to industry and maintains a smooth flow of commerce. This interrelationship is shown in Fig below

1.8 LET US SUM UP

Commerce is the activity of buying and selling, especially on a large scale. The system includes legal, economic, political, social, cultural and technological systems that are in operation in any country or internationally. Thus, commerce is a system or an environment that affects the business prospects of economies. Commerce is concerned with the sale, transfer or exchange of goods and services. Hence commerce needs industry for the production of goods and services. Commerce makes the necessary arrangement for linking between producers and ultimate consumers. It includes all those activities that are involved in buying, selling, transporting, banking, warehousing of goods, and insurance for safeguarding the goods.

Business is divided into two categories: industry and commerce. Commerce is again sub-divided into trade and aids to trade. Practically all of them are closely related to each other. They are inseparable. All of them are parts of the whole business system.

Industry and commerce are closely related to each other. Industry cannot exist without commerce and commerce cannot exist without industry. Because every producer has to find his market for his products to sell. But the producer has no direct connection with the buyers or consumers. Hence, industry needs commerce.

1.9 LESSON END EXERCISE

- 1) Define industry and also explain its importance?
 - 2) What are the different forms of trade?
 - 3) Explain the points of difference between Industry, Trade and Commerce?
 - 4) Find out the relation between Industry, Trade and Commerce?
-

1.10 SUGGESTED FURTHER READINGS

Aggarwal, J.C. Teaching of Commerce a practical approach. Vikas Publishing House. New Delhi.

Pillai, J.K. Effective teaching. Publication Division, MKU, Madurai.

Singh, R.P. Teaching of Commerce. Surya Publication: Meerut.

1.11 ANSWERS TO CHECK YOUR PROGRESS

Check Your Progress-1

1) According to **James Stephenson**,

“Commerce is an organized system for the exchange of goods between the members of the industrial world.”

- 2)
 1. Commerce tries to satisfy increasing human wants
 2. Commerce helps to increase our standard of living
 3. Commerce links producers and consumers
 4. Commerce generates employment opportunities
 5. Commerce increases national income and wealth
 6. Commerce helps in expansion of aids to trade
 7. Commerce helps in growth of industrial development
 8. Commerce encourages international trade

9. Commerce helps during emergencies
 10. Commerce benefits underdeveloped countries
- 3) The activities covered under industry are as under:
- Extraction of materials such as coal, petroleum etc.
 - Conversion of raw materials into useful goods like soaps, fans, cement, etc.
 - Construction of buildings, dams, roads etc.
- 4) The different types of industries are as under:
1. **Primary Industry** : Industry concerned with obtaining and providing natural raw materials like mining, agriculture or forestry.
 2. **Secondary Industry** : Industry engaged in conversion activities, i.e. converting raw material provided by primary industry, into finished products.
 3. **Tertiary Industry** : Industry that provides support services to the primary and secondary industry.

Check Your Progress-2

- 1) Market
- 2) Buying, selling
- 3) Barter
- 4) Seller and buyer, manufacturer and consumer

**BUSINESS ETHICS AND CONSTRAINTS
IN IMPARTING COMMERCE EDUCATION**

STRUCTURE

- 2.1 Introduction
- 2.2 Objectives
- 2.3 Business Ethics
 - 2.3.1 Sources of Business Ethics
 - 2.3.2 Importance of Business Ethics
 - 2.3.3 Importance of Business Ethics in the Various Fields of Commerce
- 2.4 Constraints in Imparting Commerce Education
 - 2.4.1 Issues before Commerce Education in India
 - 2.4.2 Challenges before Commerce Education in India
 - 2.4.3 Role of Commerce Education in the Changing Business World
- 2.5 Let Us Sum Up
- 2.6 Lesson End Exercise
- 2.7 Suggested Further Readings
- 2.8 Answers to Check Your Progress

2.1 INTRODUCTION

Corporate Ethics have been the focus of attention in recent years. This is predominantly due to the prevalence of corporate scandals and abundance of unethical behaviour portrayed by prominent individuals. The need for ethical leaders in business is undisputed, but how this can be achieved is more difficult to determine. This study seeks to assess the impact of business ethics education on students' attitudes toward corporate ethics.

The study found the business ethics course presented to have little effect on students' attitudes as measured by the survey instrument, but some students reported to have found the information presented challenging and life changing.

As significant resources are allocated to the teaching of ethics it would be prudent to conduct further research into the effectiveness thereof. The purpose of such being to develop a standard of best practice in the teaching of ethics rather than to justify not doing so.

Business ethics is the study of appropriate business policies and practices regarding potentially controversial subjects including corporate governance, insider trading, bribery, discrimination, corporate social responsibility, and fiduciary responsibilities. The law often guides business ethics, but at other times business ethics provide a basic guideline that businesses can choose to follow to gain public approval.

Understanding Business Ethics

Business ethics ensure that a certain basic level of trust exists between consumers and various forms of market participants with businesses. For example, a portfolio manager must give the same consideration to the portfolios of family members and small individual investors. These kinds of practices ensure the public receives fair treatment.

The concept of business ethics began in the 1960s as corporations became more aware of a rising consumer-based society that showed concerns regarding the environment, social causes, and corporate responsibility. The increased focus on so-called social issues was a hallmark of the decade.

Since that time period, the concept of business ethics has evolved. Business ethics goes beyond just a moral code of right and wrong; it attempts to reconcile what companies

must do legally versus maintaining a competitive advantage over other businesses.

2.2 OBJECTIVES

After going through this lesson, you shall be able to:

- find out the meaning and importance of business ethics,
- describe the various sources of business ethics,
- delineate the constraints of commerce education, and
- explain the issues and challenges of commerce education.

2.3 BUSINESS ETHICS

Meaning:

The term ‘Business Ethics’ refers to the system of moral principles and rules of the conduct applied to business. Business being a social organ shall not be conducted in a way detrimental to the interests of the society and the business sector itself. Every profession or group frames certain do’s and do not’s for its members. The members are given a standard in which they are supposed to operate. These standards are influenced by the prevailing economic and social situations. The codes of conduct are periodically reviewed to suit the changing circumstances.

Definitions:

“Business Ethics is generally coming to know what is right or wrong in the work place and doing what is right. This is in regard to effects of products/services and in relationship with the stake holders.” —Cater McNamara

“Business ethics in short can be defined as the systematic study of ethical matters pertaining to the business, industry or related activities, institutions and beliefs. Business ethics is the systematic handling of values in business and industry.” —John Donaldson

There is no unanimity of opinion as to what constitutes business ethics. There are no separate ethics of business but every individual and organ in society should abide by certain moral orders.

There are **several characteristics** or features of business ethics.

Some of them are discussed here:

1. Business ethics are based on social values, as the generally accepted norms of good or bad and 'right' and 'wrong' practices.
2. . It is based on the social customs, traditions, standards, and attributes.
3. Business ethics may determine the ways and means for better and optimum business performance.
4. Business ethics provide basic guidelines and parameters towards most appropriate perfections in business scenario.
5. Business ethics is concerned basically the study of human behaviour and conducts.
6. Business ethics is a philosophy to determine the standards and norms to make mutual interactions and behaviour between individual and group in organisation.
7. Business ethics offers to establish the norms and directional approaches for making an appropriate code of conducts in business.
8. Business ethics are based on the concepts, thoughts and standards as contributed as well as generated by Indian ethos.
9. Business ethics may be an 'Art' as well as 'Science' also.
10. Business ethics basically inspire the values, standards and norms of professionalism in business for the well-being of customers.
11. Business ethics is to motivate and is consistently related with the concept of service motives for the customers' view point.
12. Business ethics shows the better and perspective ways and means for most excellences in customisation.
13. Business ethics aims to emphasise more on social responsibility of business towards society.

Business ethics as a skill refers to one's ability to make the right business decisions and abide by one's own moral values or corporate standards, even if such decisions are not covered by the legal guidelines. Very simply, it means doing the 'right' thing even if it is not legally enforced.

The morality of a business is determined by the ability of the professionals running it to abide by some basic principles and let their moral standards guide them when they face controversial issues such as corporate social responsibility, bribery, and discrimination etc. Business ethics skills are, therefore, your ability to let your moral principles govern your actions and decision-making for the strategic and operational management of the business.

Why are business ethics important?

It is true that having management teams with strong business ethics undermines the potential risk to organization's culture. Instead, it enables employees at all levels to make quicker decision guided by their business ethics skills, increasing productivity as well as their morale.

However, the importance of business ethics reaches far beyond all this. Business ethics have a direct impact on the short term as well as long term profitability of any company because it helps in building up a reputation for the company. Based on this reputation, businesses and individuals determine whether or not your company is worth investing in. The significance of this reputation in the attraction and retention of talented employees is also paramount.

It is needless to say that lack of business ethics not only destroys the particular company in the long run, but also causes collateral damage in the surrounding community. The global financial crisis of 2008-09 is the best example where board of directors of some renowned companies lacked business ethics as skill and made business decisions such that they caused an economic meltdown.

How to improve business ethics as a skill

One of the most important aspects of long-term success of a firm, without any regard to its size, profitability, or industry, is business ethics. Therefore, you may find the following tips helpful in improving your business ethics skills:

- **Read about it.** Try to read at least one book every year, not only about the philosophy of ethics but also some good stories about how people dealt with various kinds of ethical issues. Such biographies and historical nonfictions will most likely be retained by you for life. Also, they will help you learn, from the experience of others, to make the most difficult judgment of what is right and what is not.
- **Be a part of some peer group.** Whether you prefer it within your industry or outside, find yourself a peer group where you can openly discuss ethical issues without the fear of being judged by others. Such peer groups also make available some valuable feedback by giving worthwhile insights into the perceptions, expectations, as well as the experiences of others.
- **Become a role model through your actions.** You must show your moral standards and honesty through your actions at all times. As a result, your co-workers and subordinates will look up to you, and try to adopt the same practices as yours. Instead of being appreciated or rewarded by your boss, being recognized as an inspiration for your co-workers will serve as a greater source of motivation for you to maintain that reputation.

Check Your Progress- 1

Note: a) Answer the questions given below.

b) Compare your answers with those given at the end of this lesson.

1. Define business ethics in the word of John Donald.

2. What are the characteristics of business ethics?

2.3.1 Sources of Business Ethics

In every society there are three sources of business ethics-Religion, Culture and Law. The HR manager in every organisation, thus, has to be well versed with the unique system of values developed by these three sources.

These sources are discussed as follows:

1. Religion :

Religion is the oldest source of ethical inspiration. There are more than 1,00,000 religions which exist across the whole world, but all of them are in agreement on the fundamental principles. Every religion gives an expression of what is wrong and right in business and other walks of life. The Principle of reciprocity towards one's fellow beings is found in all the religions. Great religions preach the necessity for an orderly social system and emphasize upon social responsibility with an objective to contribute to the general welfare. With these fundamentals, every religion creates its own code of conduct.

2. Culture :

Culture is the set of important understandings that members of a community share in common. It consists of a basic set of values, ideas, perceptions, preferences, concept of morality, code of conduct etc. which creates distinctiveness among human groups. When we talk about culture we typically refer to the pattern of development reflected in a society's pattern of knowledge, ideology, values, laws, social norms and day to day rituals. Depending upon the pattern and stage of development, culture differs from society to society. Moreover culture is passed from generation to generation. Culture facilitates the generation of commitment to something larger than one's individual self-interest.

Culture encourages the members of the organisation to give priority to organizational goals over and above their personal interests. Culture also serves as a sense making and control mechanism that guides and shapes the attitudes and behaviour of people. Managers have to run an industrial enterprise on the cutting edge of cultural experience. The tension that their actions create makes the business ethically more complex.

3. Law :

The legal system of any country, guide the human behaviour in the society. Whatever, ethics the law defines are binding on the society. The society expects the business to abide by the law. Although it is expected that every business should be law abiding, seldom do

the businesses adhere to the rules and regulations. Law breaking in business is common e.g. Tax evasion, hoarding, adulteration, poor quality & high priced products, environment pollution etc.

2.3.2 Importance of Business Ethics

Ethics concern an individual's moral judgements about right and wrong. Decisions taken within an organisation may be made by individuals or groups, but whoever makes them will be influenced by the culture of the company. The decision to behave ethically is a moral one; employees must decide what they think is the right course of action. This may involve rejecting the route that would lead to the biggest short-term profit.

1. Corresponds to Basic Human Needs :

The basic need of every human being is that they want to be a part of the organisation which they can respect and be proud of, because they perceive it to be ethical. Everybody likes to be associated with an organisation which the society respects as an honest and socially responsible organisation. The HR managers have to fulfil this basic need of the employees as well as their own basic need that they want to direct an ethical organisation. The basic needs of the employees as well as the managers compel the organizations to be ethically oriented.

2. Credibility in the Public :

Ethical values of an organisation create credibility in the public eye. People will like to buy the product of a company if they believe that the company is honest and is offering value for money. The public issues of such companies are bound to be a success. Because of this reason only the cola companies are spending huge sums of money on the advertisements now-a-days to convince the public that their products are safe and free from pesticides of any kind.

3. Credibility with the Employees :

When employees are convinced of the ethical values of the organisation they are working for, they hold the organisation in high esteem. It creates common goals, values and language. The HR manager will have credibility with the employees just because the

organisation has credibility in the eyes of the public. Perceived social uprightness and moral values can win the employees more than any other incentive plans.

4. Better Decision Making:

Respect for ethics will force a management to take various economic, social and ethical aspects into consideration while taking the decisions. Decision making will be better if the decisions are in the interest of the public, employees and company's own long term good.

5. Profitability :

Being ethical does not mean not making any profits. Every organisation has a responsibility towards itself also i.e., to earn profits. Ethical companies are bound to be successful and more profitable in the long run though in the short run they can lose money.

6. Protection of Society :

Ethics can protect the society in a better way than even the legal system of the country. Where law fails, ethics always succeed. The government cannot regulate all the activities that are harmful to the society. A HR manager, who is ethically sound, can reach out to agitated employees, more effectively than the police.

Without ethical standards no matter how small or big a business may be, it simply can't withstand generosity of time, market situation, and its customers. Ethics are those supporting pillars on whose foundation the integrity, stability, and prosperity of business stand tall and upright with dignity. Higher these standards of ethics are stronger and rigid is this support. A business must never underestimate or just take for granted this crucial significance of business ethics if it wants to survive and grow in competitive and complicated economies of the contemporary world.

2.3.3 Importance of Business Ethics in the various Fields of Commerce

Business Ethics – Importance of Ethics in Finance, Human Resource Development, Marketing and Production

Business ethics comprises various traits, such as trustworthiness and transparency in customer services. Ethical business practices strengthen customer relationship that is of prime importance for long-term organizational success. It deals with retaining and creating

a long-lasting impression in the minds of customers. Such impressions help the enterprise to win the trust of customers and get more business.

Business ethics plays a very crucial role in various management functions, which are given as follows:

i. Ethics in Finance:

It deals with various ethical dilemmas and violations in day-to-day financial transactions. An example of ethical violations is data fudging in which enterprises present a fabricated statement of accounts and other records, which are open to investigation. Ethics in financial transactions gained importance when due to their insufficiency nations suffered massive economic meltdowns.

The following are the ethics in finance:

- a. Following truthfulness and authenticity in business transactions
- b. Seeking the fulfilment of mutual interests
- c. Getting the economies and financial units freed from greed-based methodologies.

ii. Ethics in Human Resource Management:

It deals with the enforcement of the rights of employees in an enterprise.

Such rights are as follows:

- a. Having a right to work and be compensated for the same
- b. Possessing a right for free association and participation
- c. Enjoying a right for fair treatment in an enterprise
- d. Holding a right to work in a hazard-free environment
- e. Blowing whistle (an activity where an employee can raise voice against any wrong practice of anyone in an enterprise)

iii. Ethics in Marketing:

Deals with a number of issues, which are as follows:

- a. Misinforming the customers about the products or services
- b. Deciding high prices for the products and services
- c. Creating false impression on the customers/consumers about the features of products
- d. Promoting sexual attitudes through advertising; thus, affecting the young generation and children.

iv. Ethics in Production:

It deals with the responsibility of an organization to make sure that products and processes of production is not causing harm to the environment.

2.4 CONSTRAINTS IN IMPARTING COMMERCE EDUCATION

Commerce education is business education. Commerce education is that area of education which develops the required knowledge, skills and attitudes for the handling of Trade, Commerce and Industry. The recent commerce education has emerged in the form of Chartered Accountant, Cost and works accountant, Company secretary and Business administrator. Commerce education is a totally different from other disciplines. Hence, it must charter new routes to service the aspirations of the nation. To meet the growing needs of the business society, there is greater demand for sound development of commerce education. The relevance of commerce education has become more imperative, this means a marked change in the way commerce and management education is perceived in India. Through teaching, research, and service, the College of Commerce is dedicated to developing tomorrow's leaders, managers, and professionals.

Commerce Education is the area of education which develops the required knowledge, attitudes and skills for successful heading of Trade, Commerce and Industry.

Commerce education is the backbone of the business and serial development of the nation and considered as one of the most popular career options in India; it covers wide area of business and economy. Commerce education gives to the people for democratic living, good citizenship and proper utilization of resources. It provides skill oriented education to students and society. But quality of the education system in India has been lagging for quite sometimes now in comparison to the quantity.

The growing phenomenon of globalization, liberalization and privatization has been influencing the Commerce education. The demand for Commerce education has spiralled over the last decade. Today students of Commerce at the graduate level could opt for a range of courses and options. For instance, a student

Objectives

- To understand the problems of contemporary commerce education.
- To examine new aspects and trends in relation to Commerce education.
- To propose a new approach to commerce education.
- To have practical orientation of commerce education.
- To know the development of commerce education.
- To impart valuable knowledge in the field of commerce education.

Check Your Progress- 2

Note: a) Answer the questions given below.

b) Compare your answers with those given at the end of this lesson.

3. Explain the importance of business ethics in the field of commerce?

4. Write a few objectives of commerce education?

2.4.1 Issues before Commerce Education

The current condition of commerce education is such that it lacks employability skills and does not enable students to face complexities of business. If somebody will ask me a question, “Does commerce education offer good employability skills and talent?” The answer will be a straight ‘No’. When I say ‘No’, what are the reasons for saying no? The most important reason being lack of communication skills, lack of analytical skills, lack of

confidence, lack of ability or capacity to work for long hours, lack of dynamism etc. The result is that either the students are not employable or they are employed but with below standard salary packages. In order to break away from such situations, commerce students resort to an MBA, MMS or PGDM programme. This can be explained with the help of following points:

- a) **Multiple Core Level Subjects:** Commerce education is a sum total of variety of courses combined together. It basically heterogeneous in nature as it does not focus on one particular discipline and covered multiple subjects but without giving thorough and specialized knowledge.
- b) **Limited Exposure to any Particular Subject:** The concept of specialization is not yet adopted in commerce education to its fullest extent. Though at post graduate level there are certain specialization however the course content and proportion of specialization does not match with the overall syllabus and total course structure.
- c) **Lack of Practical Pedagogical Method:** The pedagogical and teaching method presently used emphasis more on lectures. There is absence of practical base and creative teaching methods. This effects relevance and utility of the knowledge offered to the students.
- d) **Lack of Training and Hands of Exposure:** The present day business education emphasis more on conceptual knowledge without offering as phenomenon or activity actually functions. This becomes hurdles in developing a required popularity and acceptance of commerce education.
- e) **The Present Commerce Education is not covered in Professional Educational Domain:** Management Education as a new branch of learning is highly appreciated and acknowledge as professional education with higher industrial and business relevance. Unless and until commerce education is brought in professional education domain it cannot have positioning and acceptance in industrial and business sector.
- f) **Obsolete:** The course is outdated and has lost relevance to the present circumstances.

- g) **Loss of Cream:** The cream of commerce education is being hijacked by professional courses, particularly by ICWA, ICA and ICS.
- h) **Traditional Outlook:** The course is bogged down by traditional outlook with little emphasis on specialization.
- i) **Emphasis on Teaching than Learning:** The course is over-burdened by theoretical orientation with little scope for imparting practical training.
- j) **End of the Road:** The commerce graduates face 'end-of-the –road' situation with limited alternatives either to continue his/her studies or to look for the employment. He/she is at a competitive disadvantage in the examinations conducted by UPSC and KPSC. Job prospects for postgraduates are squeezed with the establishment of new colleges reaching a point of saturation and dwindling enrolment of students to B.Com. Degree course.
- k) **Absence of a Body to promote Commerce Education:** In spite of a large number of commerce graduates and postgraduates, establishment of a strong body to promote and revive commerce education has never been thought of.
- l) **Lack of proper infrastructure:** It is sometimes remarked that many colleges are virtually academic slums.
- m) **Commerce teacher is a jack of all trades:** Perhaps he is the only person who is expected to teach all the subjects. Like commerce, banking, entrepreneurship, business management or some time e a right economics as compulsory subject even if he or she may be interested in accountancy; and
- n) Inadequate teaching aids like commerce lab, CTV-Video films.
- o) Untrained and ill-equipped teachers.
- p) It is more content oriented rather than skill and practice oriented.
- q) Even the content (syllabus) is not up-to date with latest scenario, availability of E-finance, etc., need to keep pace with the changing business environment with latest technology to every students. So many a time commerce graduates are found lacking communication and decision making.

r) High student low teacher ratio.

2.4.2 Challenges before Commerce Education in India

Commerce is considered as one of the most popular career options in India. Commerce education is the backbone of the business and serial development of the nation. This education stresses on developing the people and making effective use of available resources.

Challenges

- Global issues in economy, commerce and management.
- Foreign Direct Investment role.
- Reforms in Indian and International Economic Sectors.
- Role of World Bank and IMF.
- Export and Import of Trade, Commerce and Industry.
- National and International strategies for stock market and investors in competitive markets.
- Government policies for mergers and acquisitions.
- Challenges and Strategies in Currency Market in International scenario.
- Large scale expansion
- Replacement of obsolete faculty
- Curriculum redesign
- To overcome the problems of resource crisis
- Library and infrastructure up gradation
- Industry-institute interaction
- Management transformation
- Stress on Quality above Quantity
- Adoption of new education technology.

Indian education industry lacks both in quality and quantity when it comes to administrative staffs and faculty members. This might pose severe threats regarding the

availability of good faculty members; and the expansion of the educational institutes as announced by the Government of India would demand for more faculty members. If the shortage of talented and efficient faculty members continues, then quality of education will suffer immensely. Although the ways of education is witnessing a change, the old conventional situation of the education system has definitely not changed. Rigid curriculums and huge syllabus still characterize the educational scenario in India. Some of the greatest challenges are being posed by the online educational system towards the traditional way of learning.

Need of the Study

Presently, the business world feels that;

- a) Commerce degree holders lack in right kind of skills, practical knowledge and exposure to outside business world, which are needed. To realize the mismatch between the product and the demand, there is an urgent need to overcome the existing business education system and require coping up with the fast changing LPG era.
- b) The problems faced by the commerce graduates and post-graduates are of a great concern for the students, academicians, business world and even for parents, as the students are only oriented towards classroom theoretical related skills, lack of communication skills, lack of IT knowledge and global scenarios etc.
- c) Therefore, there is an urgent need to explore some measures to overcome these challenges and to match the curriculum and structure of business education to better fit the needs of changes in both in the industrial and services sectors within the country.
- d) Moreover, it is also important to properly assess the quality of commerce education imparted to the students in various institutions for proper decision making regarding selection and recruitment by potential employers. So, the researchers have taken up the study to analyse the issues and challenges before commerce education in India. This research will be helpful to point out the issues and challenges of the commerce education in India and it will helpful to the policy makers in making appropriate policies and suggest measures for improvement in Education system of the country.

Opportunities

- A graduate in commerce had ample opportunities as he can join any private institute or government organization as a specialist in any of the Commerce stream and they can also pursue professional courses such as Company Secretary, Chartered Accountant, and ICWA.
- A graduate in Commerce can also opt careers in financial services as a Financial Consultants, Stock Brokers, Merchant Bankers, Budget Consultant, Financial Portfolio Manager, Project Formulation Manager, Tax Consultants.
- A graduate in commerce with specialization in Banking & Finance will have opportunity in Banks and Insurance companies.

A successful course in Commerce exposes the student to different business administration strategies and accounting principles. He will be envisaged to make full use of that expertise gained to build up a strong entrepreneurship and successfully fit into a company's financial backbone. Many industry experts believe that a good Commerce graduate will be well versed in all the horizontal and vertical aspects of company management and he is the key to a successful business along with the co-operation of his subordinates who should also be like him obviously. Free economy offer new challenges as well as opportunities to universities around the world commerce in general and of business education in particular. To operate successfully in borderless world, colleges have to maintain high standards, gain a multicultural & multidisciplinary perspective, ability to work in different work cultures, strategies planning development, up-to-date infrastructure facilities & acquiring the ability to internationalize their curriculum & course to ensure greater mobility for the staff across the borders. Our market is vast and their requirements are varied. Hence, we have to provide for varied courses and not one straight jacket. The changes are very fast and our courses also must keep pace with the changes. Therefore we have to adopt ourselves to the changing environment.

2.4.3 Role of commerce education in the changing Business world

Education is essentially, a process rather than a product as it is mostly taken to be. It teaches us to learn: learn things to develop in a creative manner, teaches us to learn to be

economical in effort. True education leads us to the reality of life, peace, nature and survival of human race. The pace of globalization, liberalization and privatization has tremendously influenced the various dimensions of commerce education. Most of the scholars opined that commerce courses were not able to meet the different types of challenges posed by industry and business and that the education was not practical –oriented and did not lead to develop skills and qualities of young generation to face the work situation. Therefore, there is need for its improvement and innovation to lead the present education system rise to a sufficient standard.

Commerce education plays a very important role in the changing business world. It is the most important key, which leads to success in all sectors of economy.

The education imparted among Commerce students include lecturing, learning, group discussion, brain-storming, simulation exercises, case study, role-play, seminars etc... Through all these, the

Commerce students have derived some benefits. Lecturing seeks to offer a large amount of knowledge in a capsule form. Interaction and group discussion will make them involve in the topic and develop debating qualities. Brain-storming sessions help the students develop their creative thinking in groups. Simulation exercises make them change their attitude in different cases. Case method makes them understand the subject; improve communication skill, problem-solving rationale and many more. However, a Commerce student would understand the value of concentration, patience and creativity thereby trying to develop within him, the fruit of real education.

Commerce education has gained such an importance because if a simple mistake is committed or an entrepreneur in his business affairs takes a slightly wrong decision, then it would lead to the doom of his enterprise, which has been developed so far. Therefore, Commerce education is very important. The activities relating to Commerce is also affected when the business cycle is not going well.

Through Commerce education, a student is exposed to the environment of the business world. It is helpful for preparing them for self-employment and developing in them, the entrepreneurial abilities. It also inculcates practice orientation among the students. It makes them know about the importance of applying economic principles while making business decisions. It makes them aware of social, economic and political problems relating

to business concerns. It teaches them to face the market situation, to adapt themselves to the present circumstances. Moreover, it helps them to meet the global competition.

We are living in the dynamic world where man with his uncanny intellect first tried to understand Nature, then started exploiting it, and then started manipulating it. As the World progressed, there has been a paradigm shift in the different concepts relating to Commerce, say wealth. In the earlier times wealth was synonymous with the treasure of yellow gold. And now, for the first time in the history of mankind the world's wealthiest man is one who owns a huge KNOWLEDGE WELL. His name is William (Bill) Gates and he owns the biggest software company 'Microsoft! Bill Gates' owns vast resources of 'grey gold' signifying grey cells in our brains, which store intelligence. The present era is the era of grey gold, and with a large quantity of the best of it available in India, the possibility of our country to emerge, as a super power in the next 20 years is not farfetched. A large number of Silicon Valley entrepreneurs are Indians. Even in India, we have Narayana Murthy whose Infosys' ADRS are quoted with respect on New York Stock Exchange. There is another person Azim Hasham Premji whose wealth is estimated to be about US\$28 billion.

The reason for stating these examples is to stress on the fact that the students must be taught to convert whatever they learn in a classroom into a more practical knowledge. The students must be taught how to convert knowledge into wealth through innovative means. The Commerce education of today will have to revolve around ideas and innovations. Besides, it will also be extremely essential to learn to put into practice these ideas and innovations.

The process of Commerce education can be understood through its nature. It is a socio-behavioural science i.e. it is the science, which studies the social behavior or human behaviour with conduct of business activities. The University, College, Students, Commerce Colleges and institutions must take interest in spreading the general education of Commerce to the public in general. The Students write their exams in their institution. But the present evaluation system is so rigid, and it stresses only on bookish knowledge. It lacks practical outlook and the need to change in pattern of this type of education is very essential as well as beneficial.

The role played by an effective system of Commerce education is self-evident as it provides necessary inputs among the young graduates of today, towards turning them to

dynamic and successful businessmen of tomorrow. It must train the students not only in the technical aspects of the business, but also teach morals and ethics. The Commerce education must be theoretical and practical. This must never be forgotten that the real education is one, which provides freedom of thought and judgment and liberation from dogmas. In this way, the role played by Commerce education is very important or sufficient as well as effective in the changing business world.

2.5 LET US SUM UP

The traditional Commerce education has become irrelevant in the new era of globalization. There is an urgent need to overhaul the existing business education system to cope up with the dynamic world with trade and commerce assuming innovative dimensions in the context of growing international business, the curricula for Commerce faculty should be adapted and re-structured to meet the future challenges of the economic, manufacturing and service sectors. Keeping in mind the significance of modern commerce education, the Indian government has liberalized the commerce and business education market since 1990s, resulting in an unprecedented growth in the number of commerce and management institutions mostly through private participants. Education now becomes an industry, there is explosion of technologies and knowledge in all sphere. The quality of Commerce Education has become a major marketing issue in the changing environment. As per specialization, a practical training should be provided to the students. By making relevant and practical oriented Commerce Education, we may impact global competitiveness to our students. The students now have a vast choice regarding the institutions in which they want to study and accordingly they can develop their skills and equip themselves for the future and ultimately fit themselves for the future needs of changes in both in the industrial and services sectors within the country.

2.6 LESSON END EXERCISE

- Q1. What are business ethics and why are they important?
- Q2. Explain the sources of business ethics?
- Q3. Delineate the issues before commerce education in India?
- Q4. What are the challenges before commerce education in India and also write the opportunities for a commerce student?

Q5. Elaborate the role of commerce education in the changing business world?

2.7 SUGGESTED FURTHER READINGS

D.Obul Reddy (2007) - Revitalizing Commerce Education - Vidyasagar University Journal of Commerce

Chakra borty Prithul (2010) - commerce education in the changing business scenario in India : challenges and opportunities - Vidyasagar University Journal of Commerce,

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Aggarwal, J.C. Teaching of Commerce a practical approach. Vikas Publishing House. New Delhi.

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Singh, R.P. Teaching of Commerce. Surya Publication: Meerut.

2.8 ANSWERS TO CHECK YOUR PROGRESS

1. In the words of John Donald, “Business ethics in short can be defined as the systematic study of ethical matters pertaining to the business, industry or related activities, institutions and beliefs. Business ethics is the systematic handling of values in business and industry.”
2. There are **several characteristics** or features of business ethics.

Some of them are discussed here:

1. Business ethics are based on social values, as the generally accepted norms of good or bad and ‘right’ and ‘wrong’ practices.
2. It is based on the social customs, traditions, standards, and attributes.

3. Business ethics may determine the ways and means for better and optimum business performance.
4. Business ethics provide basic guidelines and parameters towards most appropriate perfections in business scenario.
5. Business ethics is concerned basically the study of human behaviour and conducts.
6. Business ethics is a philosophy to determine the standards and norms to make mutual interactions and behaviour between individual and group in organisation.
7. Business ethics offers to establish the norms and directional approaches for making an appropriate code of conducts in business.
8. Business ethics are based on the concepts, thoughts and standards as contributed as well as generated by Indian ethos.
9. Business ethics may be an 'Art' as well as 'Science' also.
10. Business ethics basically inspire the values, standards and norms of professionalism in business for the well-being of customers.
11. Business ethics is to motivate and is consistently related with the concept of service motives for the customers' view point.
12. Business ethics shows the better and perspective ways and means for most excellences in customisation.
13. Business ethics aims to emphasise more on social responsibility of business towards society.

3. Business ethics plays a very crucial role in various management functions, which are given as follows:

i. Ethics in Finance:

It deals with various ethical dilemmas and violations in day-to-day financial transactions. An example of ethical violations is data fudging in which enterprises present a fabricated statement of accounts and other records, which are open to investigation. Ethics

in financial transactions gained importance when due to their insufficiency nations suffered massive economic meltdowns.

The following are the ethics in finance:

- a. Following truthfulness and authenticity in business transactions
- b. Seeking the fulfilment of mutual interests
- c. Getting the economies and financial units freed from greed-based methodologies.

ii. Ethics in Human Resource Management:

It deals with the enforcement of the rights of employees in an enterprise.

Such rights are as follows:

- a. Having a right to work and be compensated for the same
- b. Possessing a right for free association and participation
- c. Enjoying a right for fair treatment in an enterprise
- d. Holding a right to work in a hazard-free environment
- e. Blowing whistle (an activity where an employee can raise voice against any wrong practice of anyone in an enterprise)

iii. Ethics in Marketing:

Deals with a number of issues, which are as follows:

- a. Misinforming the customers about the products or services
- b. Deciding high prices for the products and services
- c. Creating false impression on the customers/consumers about the features of products
- d. Promoting sexual attitudes through advertising; thus, affecting the young generation and children.

iv. Ethics in Production:

It deals with the responsibility of an organization to make sure that products and processes of production is not causing harm to the environment.

4. Objectives of commerce education are:

- To understand the problems of contemporary commerce education.
- To examine new aspects and trends in relation to Commerce education.
- To propose a new approach to commerce education.
- To have practical orientation of commerce education.
- To know the development of commerce education.
- To impart valuable knowledge in the field of commerce education.

**ROLE OF SCHOOL TOWARDS COMMERCE
EDUCATION**

STRUCTURE

- 3.1 Introduction
- 3.2 Objectives
- 3.3 Role of school towards Commerce Education
- 3.4 Functions of a Commerce Teacher
- 3.5 Professional Qualities of a Commerce Teacher
- 3.6 Professional Growth and Development of a Commerce Teacher
- 3.7 Let Us Sum Up
- 3.8 Lesson End Exercise
- 3.9 Suggested Further Readings
- 3.10 Answers to Check Your Progress

3.1 INTRODUCTION

Every society expects its educational institutions to help in developing competent citizens who would at the same time maintain the existing values and adopt fresh ones.

Every school subject must, either through the matter taught or through the ways of learning it, contribute to the growth of knowledge and competence in learners.

Teacher occupies an important place in the process of education and a great responsibility therefore devolves upon the teacher. According to Binning, ‘Teaching is a progressive occupation and the teacher must ever be a student’.

From the point of view of society as well the teacher occupies an important place; Dr. Radha Krishnan has rightly remarked, ‘The teacher’s place in society is of vital importance. He acts as the pivot for the transmission of intellectual traditions and technical skill from generation to generation and helps to keep the lamp of civilisation burning’.

Commerce education deals with the study of trade, **commerce** and industry. The stream must be taught in every **school** as it can provide the students the opportunities to get a respectable job and they can be concerned about the financial aspects of human life.

Through Commerce education, a student is exposed to the environment of the business world. It is helpful for preparing them for self-employment and developing in them, the entrepreneurial abilities. It also inculcates practice orientation among the students. It makes them know about the importance of applying economic principles while making business decisions. It makes them aware of social, economic and political problems relating to business concerns. It teaches them to face the market situation, to adapt themselves to the present circumstances. Moreover, it helps them to meet the global competition Profit earning with consumer satisfaction are the true goals of business today. “As the economy becomes more industrialized and society becomes more complex, the knowledge and skills required to deal with the situations also change. Hence, for enabling students to acquire the desired capabilities, contents of courses and their combinations need to be revised, diversified and made more flexible”.

3.2 OBJECTIVES

After going through this lesson, you shall be able to:

- explain the role of school towards teaching of commerce,
- delineate the qualities of a good commerce teacher, and
- describe the growth of a commerce teacher.

3.3 ROLE OF SCHOOL TOWARDS COMMERCE EDUCATION

School is nothing but a society in miniature. School is a means of social progress.

It has to create a healthy society. Therefore, it should wage a war against corruption prevalent in the community like degeneration in the morality, untouchability, communalism, casteism, linguism, blind faiths and evil tradition etc. so that school may be able to accomplish, specially teach the subject (commerce).

According to Prof. K.G.Saiyda, "A people's school must obviously be based on the people's needs and problems. Its curriculum should be based on the people's needs and problems. Its curriculum should be an epitome of their life. Its method of work must approximate to theirs. It should reflect all that is significant and characteristic in the life of the community, in the natural setting." School is a social unity. It is an integral part of the society. A good society depends upon good school and a good school depends on a good society.

The whole process of curriculum transaction and realization of the aims and objectives of the commerce teaching at the school level depends upon the teaching effectiveness and competencies of the commerce teachers. The fast rate of change which can be easily observed in each sphere of life is having a direct impact upon the individuals, society, country and the world itself. Commerce teachers make the learners able to gain the required social knowledge, skills, beliefs, values, attitudes, and play a constructive and active role in dealing with challenges.

Thus role of school can be well explained by explaining the role of teacher in the following point:

Role of a Teacher:

1. Commerce teacher has to provide educational situations in which the students have to work cooperatively at problems. He has to guide discussions and create problem solving attitude among the pupils.
2. He should make use of all community resources to develop the knowledge of his subjects among his pupils.
3. He has to develop among his pupils desirable social attitude, skills, vocational efficiency, appreciations and convert the pupils into efficient citizens of a modern democracy.
4. He should make the pupils understand the modern complex world and become intelligent citizens.
5. He has to give leadership training to his pupils by appointing groups for various units of his course.
6. He has to bring community and school closer together by arranging various activities connected with commerce.
7. He should plan his work with the active cooperation of his pupils.
8. He should develop power of reasoning independent thinking and critical analysis by the right use of methods and techniques.

Sound methods of instruction and a pleasant personality are indispensable to commerce teacher but they are worthless without the required knowledge hence a teacher should possess complete knowledge of his subject.

3.4 FUNCTIONS OF A COMMERCE TEACHER

A commerce teacher is expected to perform important functions, some of which are the following:

1. **Knowledge of current affairs:**

Commerce education are the store-house from which a commerce teacher draws his material. So he must know them well. He should also keep himself in touch with the current affairs in order to utilize this material for supplementing commerce

and for facilitating instruction. In the words of Binning and Binning, “teaching is a progressive occupation and the teacher must ever be a student. Although this is true for all teachers. It is especially true for the one who teaches commerce. It is he who interprets this present, ever changing, complex world to the pupils. To do this however, the teacher must understand the present, with its multitudinous perplexing problem.” The teacher can’t impart the recent information to the students without having the knowledge of current affairs.

2. Sound knowledge of the subject matter:

The teacher must know his subject in deep. In order to obtain the desirable changes in pupils, he must be well grounded in the materials that will aid to produce those changes. But the historian’s history, the geographer’s geography and the economist’s economics cannot serve his purpose. All these need simplification. Books on commerce may also be available which are written according to the syllabus, prescribed by the authorities. But these too cannot replace the teacher. Teacher shall have to select and arrange the material according to the interest and experiences of his student. Teacher shall have to supplement it with current affairs, audio-visual aids and other activities suited to the occasion.

3. Teacher as a friend, philosopher and guide:

A commerce teacher must know the nature, needs, interests, capacities and limitations of his students. A good teacher understands that learning is a continuous process through the active participation of the child. He is, therefore, more of a councillor, a guide, a co-worker and a friend than a mere teacher. Teacher is the real, “architect of nation.” Perhaps H.G. wells was pointing to commerce teacher when he remarked: “The teacher is the real maker of history.” In the school, he is a substitute of the parent; a friend, a guide and a true master. He is, in fact, the soul of the school and everything that goes about it.

4. Specialist in human relationship:

As a specialist in human relationship, the commerce teacher can interpret the school to the community, the community to the school, the teachers to the parents and the parents to the teachers. Because his subject embraces the whole sweep of human

experience, he is in an ideal position to explain one thing in term of another with in present and the present in terms of the past. He can, thus, bring together the past and the present, the new and the old, the alien and the native, the near and the distant.

So the most important function of the commerce teacher as an interpreter is to explain life while preparing for it.

Check Your Progress- 1

Note: a) Answer the questions given below.

b) Compare your answers with those given at the end of this lesson.

1. Define the role of a school according to Prof. K.G.Saiydain?

2. Enlist the functions of a commerce teacher?

3. Commerce education deals with the study of _____, _____ and _____.

3.5 PROFESSIONAL QUALITIES OF A COMMERCE TEACHER

The quality of instruction is the determining factor of the success or failure of any educational programme. Course of study, reading material, equipment and good spacious classrooms, all play their important role in this programme. Similarly, good supervision and administration also contributes to the success and effectiveness of instruction. But all these factors are ineffectual unless there is a good teacher in the classroom. And a good teacher is one who [possesses certain definite qualities of head and heart. It is rather difficult to lay down a pattern or standard to which all commerce teacher must approximate. But even then, there can be no difference of opinion on the few qualities expected in a good teacher of commerce.

Since the first and foremost duty of a commerce teacher is to teach so it is desirable that he fulfils the requirements of the profes•sion and possesses the necessary qualifications.

Qualifications of a Commerce Teacher

A teacher of Commerce should have:

- (i) A master's degree in commerce.
- (ii) A bachelor's degree in education.
- (iii) Specialisation in Commerce education.
- (iv) A good academic back-ground in Economics.
- (v) Proficiency in skill subjects.
- (vi) A thorough understanding and knowledge of theories of skills.

Besides these, he should have special aptitude and training in the audio-visual aids and vocational guidance. He should have enough of professional experience and training to undertake the teaching of type-writing and short-hand efficiently. The success and prospect of vocationalisation at secondary stage largely depends upon this aspect of specialisation on the part of the commerce teacher.

Some of the important qualities of a commerce teacher are:

I. Qualities pertaining to personality: this is perhaps the most significant factor in teaching. It would be impossible to list and analyse all the qualities that enter into the make-up of a personality. Generally, personality relates to the impression which the teacher produces and the influence that he exerts upon other people. It is composed of a large number of traits and characteristics which may be divided into three major groups:

- a) **Physical aspect:** which gives us our first impression of the individual.
- b) **Moral aspect:** which attract us to those persons who possess them.
- c) **Executive aspect:** without which leadership is not possible.

(a) **Physical aspect:**

1. **Physical Health.** Good health is essential for efficient teaching. This will make the teacher active and cheerful. A sound mind can live only in a sound body which

is possible only through regularity in routine exercise and simple nutritious diet. Poor physical conditions of the teacher raises many troubles in the classroom.

2. **Personal Appearance:** A good teacher should have a good personal appearance. So as they produce good impression upon those who come in contact with them. Personal appearance includes dressing sense, facial expression, mannerism and personal cleanliness.
3. **Audible voice:** a teacher should neither shout in the class nor speak too quickly. He should be quite clear in his speech and should be audible to all of his pupils, sitting in different corners of the classroom. A good and audible voice is important because of its effect on children and its relation to successful teaching.
4. **Recognition of the Amenities of life:** This includes good manners, observance of social norms, courtesy and refinement. These are marks of superiority.

(b) **Moral aspect:**

Now we come to moral aspects which constitute the following traits:

1. **Understanding:** A good teacher must understand the difficulties of their students and try to remove those difficulties.
2. **Sincerity:** Sincerity means dedication of one's life to his work.
3. **Friendliness:** A good teacher should be the best friend and guide of his pupils. He must be sympathetic, kind hearted and humane towards his pupils.
4. **Tactful:** It is doing right time under the most trying circumstances.
5. **Impartial:** A good teacher must be absolutely fair in his dealings with others. He must be just, honest and impartial and free from all prejudices bias.
6. **Self-control:** It means keeping control over the emotions under all circumstances. The teacher, who can be an effective one. Patience is required not for dealing with his own pupils but also with officials, senior colleagues, and common people.
7. **Optimistic outlook:** A teacher must remain optimistic. It requires a belief in the goodness of humanity.

8. **Sound Mental Health:** mental health is even more important than physical health. A frustrated and pessimist teacher cannot produce wholesome influence upon his pupils. He must always be cheerful and optimist and have faith in the goodness of humanity. He must adjust himself in every condition. This is possible only when he possesses emotional stability and control over his anger and passions.
9. **Faith in democracy:** he should be an example of democratic values. He should act as a democratic group leader and create an environment for the freedom, justice, equality and fraternity in his dealings with others.
10. **Faith in international understanding:** Commerce teacher should have faith that international cooperation is desirable and possible and that he can help to promote such cooperation. He should clearly know the goals of education for international understanding, be fully conversant with methods and resources for such programmes and help creating world understanding among students.

(c) **Executive aspects:**

Then we come to executive abilities of the teacher which constitute the following traits:

1. **Good leader:** The teacher is primarily a leader and not a follower. He should be sensible enough to take independent action in case of emergency. He should be able to face problem. Think better to the best of his ability.
2. **Resourcefulness:** An efficient teacher should be able to collect material, adopt his plans according to the circumstances and meet the most trying experiences.
3. **Self-confidence:** The teacher must have faith in himself and in his ability to carry out those aims of education, which he has set for himself.
4. **Proper organization:** the teacher should have the ability to direct their plans in actual practice. He should organize the work in the best possible manner and with the less wastage of time, money and energy.
5. **Directing ability:** The teacher should have the ability to direct their plans in actual practice. He must be a person of wisdom and vision, with a thorough knowledge of facts.

II. Qualities pertaining to profession:

1. **Wide knowledge of his subject:** the teacher should have a thorough knowledge of the subject. If he has no command over the subject –matter he shall not present before the students in an interesting manner. The teacher of commerce should know the corollation of commerce and social science. He should also be aware of the current events and duties of a citizen. He should also know where the interest of the nation lies.
2. **An expert in the methodology of Teaching Commerce :** Teaching of commerce is not primarily giving or feeding information. It means arousing interest, stimulating questions, encouraging enquiry, promoting deep thinking. It is essential, therefore, that the teacher of commerce is an expert in teaching this subject. He should be conversant with the theory and practice of the new methods-project, problem, discussion, socialised recitation, question answer, observation etc. He should follow such methods as may help to make classroom a place of hard work and high standards. A laboratory where teacher and pupils work together as a team in solution of important problem and the achievement of significant ends.
3. **Professional attitude:** A person becomes a teacher by his mental attitude. He should select the profession by his own choice not by force. He looks upon his work as a sort of dedication and mission not as a job or profession.
4. **Interest in tours and excursions:** The commerce teacher must be widely travelled in his own country and overseas. Visit to important and significant historical and geographical places and buildings, museums, art galleries, mills, and information about all these can help greatly to enrich the teaching of commerce.
5. **Participation in conferences:** He should attend local, regional, national and international conferences on various parts of commerce and take part in discussions about text-books and audio-visual methods in use in his own and other countries. Ultimately, this helps the teacher to improve his knowledge.
6. **Interest in conducting workshop:** The commerce teacher should attend seminars, refresher courses, workshops and summer institutes to be equipped with the latest content and methodology of teaching commerce education,

workshops provide professional momentum, they deserve the title self-improvement, since the teachers themselves are primarily responsible for their quality and value.

- 7. Knowledge of different techniques of evaluation:** The commerce teacher should have a sound knowledge of different techniques of evaluation also. He should know the skills of framing objective type tests, short answer type tests, and objective rating scales for awarding marks to questions other than objective type. The success of his teaching depends upon the evaluation of the students. He should have the knowledge about various techniques of evaluation relating with interest, attitude, aptitude, skill, knowledge etc.
- 8. Reader of professional literature:** A commerce teacher should have a library of his own. He should study standard-book, he should study manuals and journals in the various fields of his speciality, journals and books devoted to professional education.
- 9. Knowledge of different aims:** The teacher is to accomplish the aims at different levels i.e. why he should have the knowledge of different aims. He will try his best to achieve the aims by utilizing effective methodology of teaching.
- 10. Socially aware and active:** every teacher should aspire to participate in campaign or serve on social-science committees. He should participate in civic affairs. He should become a member of a professional organisation. He may also join a service club, become a member of a board, or in some other way prove to himself and others that he is a responsible citizen. Such participation will also open a wider laboratory of usefulness to the classes that he teaches.
- 11. A teacher must always be a student:** teaching is a progressive occupation and as such a teacher must always be a student. Although it is true of all the teachers, it is especially true of a commerce teacher. The teacher should know that education is a dynamic process and not static. He should always strive for improvement. He must keep himself up to date through regular study of books, journals, magazines etc. he should have the knowledge about general problems concerning human beings.

III. Qualities related to classroom procedure

1. Clear aims and objectives for lesson.
2. Properly selected and organised instructional material of the subject.
3. Different methods used to accomplish aims.
4. Students well motivated for study.
5. Proper discipline in the classroom.
6. Skill of questioning.
7. Recognition of individual differences. 8. Efficiency in routine work.
9. Proper planned home task assignment.

IV. Teacher's relationship with students, colleagues and society or community.

1. **Teacher and student relation;** The teacher of commerce should have mastery of child psychology and educational psychology. The teacher, therefore, ought to welcome every means that may cultivate pupil's goodwill and friendship. He must mix with them, participate in various co-curricular activities, and encourage them on all occasions. He must pay individual attention towards the backward, abnormal and problem students.
2. **Teacher and faculty:** Teacher must cultivate intimate relationship with the staff members. He must always be obliging and co-operating with all engaged in common task. He must give his colleagues a helping hand whenever required. He must neither backbite nor interfere unnecessarily in their affairs. He should especially work closely with the administration and be obedient and loyal.
3. **Teacher and community:** In relation to community, a teacher should feel himself responsible to the whole society. He should remember that both home and school are engaged in co-operative task. He must, therefore, welcome contacts and conferences with parents on various occasions in the interest of the education of his pupils. The better he understands and serves the community and its people the better he will be as a teacher.

Some special qualities of a Commerce Teacher:

1. A scientist as well as an artist.
2. Breadth of outlook and width of understanding.
3. A person of integrity.
4. An interesting person.
5. A good citizen.
6. Widely travelled person.
7. Deep knowledge of the subject.
8. A good communicator.
9. Application of field study theory.
10. Skilled in the use of technological aids.
11. A man of faith.
12. A well informed teacher etc.

Check Your Progress- 2

Note: a) Answer the questions given below.

b) Compare your answers with those given at the end of this lesson.

1. What is the qualification for a commerce teacher?

2. In how many aspects is personality as a trait divided?

3. Enlist the professional qualities of a good commerce teacher?

3.6 PROFESSIONAL GROWTH AND DEVELOPMENT OF A COMMERCE TEACHER

“Professional development is defined as activities that develop an individual’s skills, knowledge, expertise and other characteristics as a teacher.”

When schools are looking to hire a teacher, there are a few basic requirements: a college degree, experience working with children, and, of course, patience. Teachers need a variety of professional development skills along with knowledge of their subject matter and experience in order to be an effective teacher.

Likewise, as rapid developments in technology integrate into our day-to-day lives, they affect the way students learn and teachers teach. Modern teachers need to be competent in not only basic skills but new skill sets.

Here are 15 21st century 21st century professional development skills, or as we like to call them, “modern skills,” that today’s teachers should possess.

1. Adaptability

In this modern, digital age, teachers need to be flexible and able to adapt to whatever is thrown their way. Likewise, administrators are changing and updating expectations and learning standards.. Whether it’s to the way students learn, the behaviour their classroom exhibits, or their lesson plans, being able to adapt is a skill that every modern teacher must have.

As teachers continue to transition to eLearning, having the right online tools...

2. Confidence

Every teacher needs to have confidence, not only in themselves but in their students and their colleagues. A confident person inspires others to be confident, and a teacher's confidence can help influence others to be a better person.



3. Communication

Being able to communicate with not only your students but with parents and staff is an essential skill. Think about it: almost all of a teacher's day is spent communicating with students and colleagues, so it is crucial to be able to talk clearly and concisely in order to get your point across.

4. Team Player

Part of being a teacher is being able to work together as part of a team or a group. When you work together as a team, it provides students with a better chance to learn and have fun. Networking with other teachers (even virtually) and solving problems together will only lead to success. Doing so fosters a sense of community not only in your own classroom, but school-wide as well.

5. Continuous Learner

Teaching is a lifelong learning process. The world is always changing, along with the curriculum and educational technology, so it's up to you, the teacher, to keep up with it. A teacher who is always willing to go that extra mile to learn will always be an effective, successful teacher.

6. Imaginative

The most effective tool a teacher can use is their imagination. Teachers need to be creative and think of unique ways to keep their students engaged in learning, especially now that many states have implemented the Common Core Learning Standards into their curriculum. Many teachers are of the opinion that these standards are taking all of the creativity and fun out of learning, so teachers are finding imaginative ways to make learning fun again.

7. Leadership

An effective teacher is a mentor and knows how to guide their students in the right direction. They lead by example and are a good role model. They encourage students and lead them to a place of success.

8. Organization

Modern teachers have the ability to organize and prepare for the unknown. They are always ready for anything that is thrown their way. Need to go home sick? No problem, they have a substitute folder all ready to go. Studies show that organized teachers foster more effective learning environments. So it is even more imperative to be organized if you want higher-achieving students.

9. Innovative

A modern teacher is willing to try new things, from new educational apps to teaching skills and electronic devices. Being innovative means not only trying new things, but questioning your students, making real-world connections, and cultivating a creative mind set. It's getting your students to take risks and learn to collaborate with others.

10. Commitment

While being committed to your job is a traditional teaching skill, it is also a modern one. A modern teacher needs to always be engaged in their profession. The students need to see that their teacher is present and dedicated to being there for them.

11. Ability to Manage Online Reputation

This 21st century, modern teaching skill is definitely a new one. In this digital age, most, if not all, teachers are online, which means they have an “online reputation.” Modern teachers need to know how to manage their online reputation and which social networks are okay for them to use. LinkedIn is a professional social network to connect with colleagues, but Snapchat or any other social networking site where students visit is probably not a good idea.

12. Ability to Engage

Modern teachers know how to find engaging resources. Nowadays, it is essential to find materials and resources for students that will keep them interested. This means keeping up-to-date on new learning technologies and apps, and browsing the web and connecting to fellow teachers. Anyway that you can engage students and keep things interesting is a must.

13. Understanding of Technology

Technology is growing at a rapid pace. In the past five years alone we have seen huge advancements, and we will continue to see them grow. While these developments may be hard to keep up with,, it is something that all modern teachers need to do. Not only do you need to understand the latest in technology, but you must also know which digital tools are right for your students. It’s a process that may take time but will be greatly influential in the success of your students.

14. Know When to Unplug

Modern teachers know when it’s time to unplug from social media and just relax. They also understand that the teacher burnout rate is high, so it’s even more critical for them to take the time to slow down and care for themselves. They also know when it’s time to tell their students to unplug and slow down. They give their students time each day for a brain break and let them kick their heels up and unwind.

15. Ability to Empower

Teachers inspire; that's just one of the qualities that come along with the title. Modern educators have the ability to empower students to be critical thinkers, innovative, creative, adaptable, passionate, and flexible. They empower them to solve problems, self-direct, self-reflect, and lead. They give them the tools to succeed, not only in school but in life.

Common professional- development objectives for educators:

- Furthering education and knowledge in a teacher's subject area-e.g. learning new scientific theories, expanding knowledge of different historical periods, or learning how to teach subject area content and concepts more effectively.
- Training or mentoring in specialised teaching techniques that can be used in many different subject areas, such as differentiation(varying teaching techniques based on student learning needs and interests) or literacy strategies(techniques for improving reading and writing skills), for example.
- Earning certification in a particular educational approach or program, usually from a university or other credentialing organization, such as teaching.
- Advanced placement courses or career and technical programs that culminate in students earning an industry-specific certification.
- Developing technical, quantitative, and analytical skills that can be used to analyse student performance data, and then use the findings to make modification to academic programs and teaching techniques.
- Learning new technological skills, such as how to use interactive whiteboards or course-management systems in ways that can improve teaching effectiveness and student performance.
- Improving fundamental teaching techniques, such as how to manage a classroom effectively or frame questions in ways that elicit deeper thinking and more substantive answers from students.
- Working with colleagues, such as professional learning communities, to develop teaching skills collaboratively or create new interdisciplinary courses that are taught by teams of two or more teachers.

- Developing specialized skills to better teach and support certain populations of students, such as students with learning disabilities or students who are not proficient in English.
- Acquiring leadership skills that can be used to develop and coordinate a school improvement initiative or a community volunteer program.
- Attending graduate school to earn an advanced degree, such as a master's degree or doctorate in education, educational leadership, or a specialised field of education such as literacy or technology.

Therefore, development can be provided in many ways, ranging from the formal to informal.

3.7 LET US SUM UP

In a nut shell it can be said, ‘The teacher of commerce must be properly qualified person and should possess the training qualifications to teach.’”

For any improvement in commerce education a well-qualified and trained commerce teacher is a must. The most important of the several qualities expected of a commerce teacher is that he should be devoted to the profession of teacher. It has been observed that persons generally after taking training in commerce teaching profession switch-over to some other profession. The subject of commerce has now received wide recognition and acceptability, second only to science subjects. Therefore, it has become essential that profession of commerce teacher is taken up very seriously.

3.8 LESSON END EXERCISE

- Q1. What is the role of school in encouraging commerce education?
- Q2. Write a short note on commerce teacher?
- Q3. Describe the essential qualities to be imbibed by a commerce teacher?
- Q4. How can the growth or development of a commerce teacher be enhanced? Describe.

3.9 SUGGESTED FURTHER READINGS

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3.10 ANSWERS TO CHECK YOUR PROGRESS

Check Your Progress-1

1. According to Prof. K.G.Saiydain, "A people's school must obviously be based on the people's needs and problems. Its curriculum should be based on the people's needs and problems. Its curriculum should be an epitome of their life. Its method of work must approximate to theirs. It should reflect all that is significant and characteristic in the life of the community, in the natural setting."

2. Functions of a Commerce Teacher:
1. Knowledge of current affairs:
 2. Sound knowledge of the subject matter:
 3. Teacher as a friend, philosopher and guide:
 4. Specialist in human relationship
 3. trade, commerce and industry.

Check Your Progress-2

1. A teacher of Commerce should have:

- (i) A master's degree in commerce.
 - (ii) A bachelor's degree in education.
 - (iii) Specialisation in Commerce education.
 - (iv) A good academic back-ground in Economics.
 - (v) Proficiency in skill subjects.
 - (vi) A thorough understanding and knowledge of theories of skills
2. Personality is divided into:
- a) **Physical aspect:** which gives us our first impression of the individual.
 - b) **Moral aspect:** which attract us to those persons who possess them.
 - b) **Executive aspect:** without which leadership is not possible.
3. Qualities pertaining to profession:
1. Wide knowledge of his subject
 2. An expert in the methodology of Teaching Commerce
 3. Professional attitude:
 4. Interest in tours and excursions
 5. Participation in conferences:
 6. Interest in conducting workshop:
 7. Knowledge of different techniques of evaluation:
 8. Reader of professional literature
 9. Knowledge of different aims
 10. Socially aware and active:
 11. A teacher must always be a student

AUDIO-VISUAL AIDS FOR TEACHING OF COMMERCE**STRUCTURE**

- 4.1 Introduction
- 4.2 Objectives
- 4.3 Meaning of Audio-Visual Aids
 - 4.3.1 Objectives of Audio-Visual Aids
 - 4.3.2 Advantages of Audio-Visual Aids
 - 4.3.3 Disadvantages of Audio-Visual Aids
 - 4.3.4 Functions of Audio-Visual aids
 - 4.3.5 Beneficiaries of Audio-Visual Aids
- 4.4 Importance of Audio-Visual Aids
- 4.5 Selection and Use of Audio-Visual Aids for Teaching of Commerce
 - 4.5.1 Audio-Visual Aid for Teaching of Commerce
 - 4.5.2 Factors to be considered in Selection of Audio-Visual Aids
 - 4.5.3 Audio-Visual Aids Used in Teaching of Commerce
- 4.6 Let Us Sum Up
- 4.7 Lesson End Exercise
- 4.8 Suggested Further Readings
- 4.9 Answers to Check Your Progress

4.1 INTRODUCTION

Audio-Visual Aids are also called instructional material. Audio literally means “hearing” and “visual” means that which is found by seeing. All such aids which endeavor to make the knowledge clear through our senses are called **”Audio-Visual Aids” or “Instructional Material”**. All these learning material make the learning situations as real as possible and give us first hand knowledge through the organs of hearing and seeing. Any device which can be used to make the learning experience more concrete, effective, more realistic and dynamic can be considered as audio-visual material. We learn through our sense organs. Senses are the ways of knowledge. All the sense organs help us in understanding the environment. Most of the knowledge, which acquire from the school, comes through ears and eyes. Audio-Visual aids can be classified on the basis of sensory experience. Audio-visual aids are classified into three main groups namely Audio Aids, Visual Aids and Audio-visual Aids. Audio Aids are any instructional device that can be heard but not seen. For example microphones, ear phones, radio, tape-recorder, gramophone, linguaphone, audio cassette player, language laboratory etc. Visual Aids are any instructional device that can be seen, but not heard. For example, slide, film strips, Chart, Black and while board, Maps, Pictures, Models, Text-books, Slide projector, Transparency, Flash-cards, Print materials etc. Audio-VisualAids or Materials is a technique which involves the sense of vision as well as hearing. It is usually used in presentation prepared by the businessman to show graphs on the study of the company, college/university students to their reports and especially the teacher who use audio-visual materials to clearly explain the lesson to the students. These are any devices which can be used to make the learning experience more concrete, more realistic and more dynamic. Some examples are LCD project, film projector, TV, computer, VCD player, virtual classroom, multimedia etc.

4.2 OBJECTIVES

After going through this lesson, you shall be able to:

- explain the meaning of Audio-Visual Aid,
- enumerate the importance of Audio- Visual Aids, and
- describe how to select and use various Audio-VisualAids for teaching of commerce.

4.3 MEANING OF AUDIO-VISUAL AIDS

According to the Webster dictionary, audio-visual aids is defined as “training or educational materials directed at both the senses of hearing and the sense of sight, films, recordings, photographs, etc. used in classroom instructions, library collections or the likes”.

According to an old Chinese proverb the importance of audio-visual aids is indicated by the saying that *“if I hear I forget, if I see I remember, if I do I know”*.

Audio means what we hear. The five senses audio, visual, touch, smell and taste play an important role in communicating message. Hearing plays an important role in receiving and sending a message effectively. The most basic form of communication is oral and face to face contact. Hearing plays an important role in oral-face to face communication. In recent days due to the invention of modern gadgets like radio, tape recorder, public address system telephones and mobile phones the type of communication is more of an indirect type as the individuals do not face each other. People in such situations communicate without coming into close proximity. **Audio Aids** are the instructional devices through which the message can only be heard. An audio aid is an instructional device in which the message can be heard but not seen. A **visual** is what can be seen. Visual helps one to communicate more effectively. Out of the five physical senses through which we learn, the eye is the most helpful in learning. Words are not enough for communicating an idea. The same word may even mean different things to different people. We speak different languages and so, many times communication becomes difficult. **Visual Aids** are the instructional devices which help to visualize the message. A visual aid is an instructional or communicating device in which the message can be seen but not heard. **Audio-Visual** means the things which we hear as well see. Audio visual aids or devices or technological media or learning devices are added devices that help the teacher to clarify, establish, co-relate and co-ordinate accurate concepts, interpretations and appreciations and enable the learner to make learning more concrete, effective, interesting, inspirational, meaningful and vivid. These aids are used to improve teaching, i.e. to increase the concreteness, clarity and effectiveness of the ideas and skills being transferred. They enable the audience to LOOK, LISTEN and LEARN (*by doing*); to learn faster, to learn more, to learn thoroughly and to remember longer. These aids are instructional devices which are used to communicate messages more effectively through sound and visuals. It helps in stimulating the sensory

organs like ears and eyes and facilitates quick comprehension of the message by the audience. These may be used for literate as well as for illiterate people.

The aim of teaching with technological media is clearing the channel between the learner and the things that are worth learning. The basic assumption underlying Audio-Visual Aids is that learning and clear understanding-stems from sense of experience. The teacher must 'show' as well as 'tell'. Audio-Visual aids provide significant gains in informational learning, retention, recall, thinking, reasoning, activity, interest, imagination, better assimilation, personal growth and development. The aids are the stimuli for learning 'why', 'how', 'when' and 'where'. The 'hard to understand principles are usually made clear by the intelligent use of skillfully designed instructional aids. It must be remembered that Audio-visual aids can only supplement the teacher but can never supplant the teacher. In modern world we use digital tools to improve the teaching-learning process. The most common tool we use in classroom these days is PowerPoint slides, which makes the class more interesting, dynamic and effective. Moreover it also helps to introduce new topics in easy way. The use of audio-visual aids makes the students to remember the concept for longer period of time. They convey the same meaning as words but it gives clear concepts thus help to bring effectiveness in learning.

4.3.1 Objectives of Audio-Visual Aids

- (i) Enhance teachers' skills, which results in effective classroom teaching.
- (ii) Make learners active in the classroom.
- (iii) Communicate them according to their capabilities.
- (iv) Develop lesson plan and build interest.
- (v) Make students good observer.
- (vi) Develop easy and understandable learning material.
- (vii) Follow child cornered learning process.
- (viii) Involve intimation in objectives.
- (ix) To create interest in different groups.

- (x) To make teaching process more effective.

4.3.2 Advantages of Audio-Visual Aids

- (i) Its helps to make learning process more effective and conceptual.
- (ii) Its helps to grab the attention of students
- (iii) It builds interest and motivation teaching students learning process
- (iv) It enhance the energy level of teaching and students
- (v) It is even better for over burden classrooms
- (vi) It provides students a realistic approach and experience

4.3.3 Disadvantages of Audio-Visual Aids

- (i) Technical Problems
- (ii) Students Distractions
- (iii) Expensive
- (iv) Timeconsuming
- (v) Need Space
- (vi) Convenience

4.3.4 Functions of Audio-Visual aids

- (i) They supply a concrete basis for conceptual thinking and hence, reduce meaningless word response of students.
- (ii) They have high degree of interest for students.
- (iii) They make learning more permanent.
- (iv) They offer a reality of experience which stimulates self activity on the part of pupil.
- (v) Develop continuity of thought; this is especially true of motion pictures.

(vi) They provide experience not easily obtained through other materials and contribute to the efficiency, depth and variety of learning.

4.3.5 Beneficiaries of Audio-Visual Aids

Though every children can take benefit while using visual aids for learning. But it is more helpful for those students:

- (i) Having Language Disorder
- (ii) Autism Spectrum Disorder
- (iii) Down Syndrome
- (iv) Those who have Learning Disabilities
- (v) Student who have English as a secondary Language
- (vi) Those having Oppositional Defiant Disorder
- (vii) Personality Development Delay
- (viii) Have the problem of Hearing Impairment
- (ix) Have the symptoms of Attention Deficit Hyperactivity Disorder ADHD

4.4 IMPORTANCE OF AUDIO-VISUAL AIDS

Audio-visual aids are more stimulating for students than simple lectures. Excellent teachers understand the importance of audio visual aids in the learning process. Audio-visual aids are teaching tools that educators use to complement their academic lessons. Examples of audiovisual aids include videos, music clips, flip charts, slideshow presentations and overhead transparencies. Audio-visual aids should not be used as the only teaching method, but should be incorporated periodically throughout lessons to provide extra information for students. Students catch on quickly when their teacher understands the importance of charts in the teaching and learning process. The importance of audio-visual aids is evident when it comes time to teach a new or abstract concept that may be difficult to picture or grasp. Audio-visual aids allow teachers to demonstrate things to students that, otherwise, may not be clearly conveyed. However, when teacher demonstrate something through sight and sound, students

pick up more information through the audiovisual experience. Following points enumerate the importance of Audio-visual aids.

- (i) Audio-visual aids helps to convey meaning clearly.
- (ii) Audio-visual aids helps to supplement spoken word.
- (iii) Audio-visual aids helps to impress the ideas better.
- (iv) Audio-visual aids helps to make teaching realistic.
- (v) Audio-visual aids helps to attract the attention of audience.
- (vi) Audio-visual aids helps to create better ideas.
- (vii) Audio-visual aids helps to create interest in the learner.
- (viii) Audio-visual aids helps to change attitude.

Although the first hand experience is the best way of educative experience but such an experience cannot always be done practical so in some case we need to have substitution. To make teaching of a subject interesting, effective and realistic, certain things are required. Audio-visual aids or devices or technological media or learning devices are added devices that help the teacher to clarify, establish, correlate and coordinate accurate concepts, interpretations and appreciation and enables them to make learning more concrete, effective, interesting inspirational, meaningful and vivid. The teacher must 'show' as well as 'tell.' Audio-visual aids provide significant gains in informational learning retention and recall, thinking and reasoning activity interest, imagination, better assimilation and personal growth and development. The aids are the stimuli for learning 'why', 'how', 'when' and 'where'. The 'hard to understand principles' are usually made clear by the intelligent use of skillfully designed instructional aides. The use of audio-visual aids in teaching has increased in the past few years due to technological advancement. Technology blessed the teachers, administrators and student community with multimedia presentations which increase interest in the classrooms. When teachers use learning aids, students show interest and get more stimulate. It is now well recognised fact that to keep teaching interesting and make it effective we have to make use of certain material aids. The use of these material aids makes the teaching effective, simple and interesting. The significance and the educational

importance of audio-visual aids have been noted down by the Mudaliar Commission in its report as follows: 'It is hardly necessary to emphasize the role that audio-visual aids, film and radio talks, can play in the liberalizing of the education of the school children. In some states they have been developed to such an extent that most of the schools are able to obtain such aids from the Department of Public Instructions. Centrallibrary of educational films should be available in each state and that films of great value are sent from the central government to the states periodically. Educational films suited to Indian conditions should be taken and made available to schools. As regards the radio, through the All-India Radio (AIR) arrangements have been made for school broadcasts. It is hardly necessary for us to emphasize that such broadcasts should be by well qualified persons and should create an interest in the subject so that the student's curiosity can be roused to learn more about the subject. Nothing is calculated to produce in the child an aversion for such broadcasts as the monotonous and none too graphic description that sometimes is given by persons not quite familiar with the psychology of the young mind. It should not be treated as a routines duty which can be discharged by any teacher in the area. Care must be taken to see that an expert panel of head masters and teachers is constituted to decide on: (i) the subject to be dealt with, (ii) the manner in which it ought to be dealt with, (iii) persons competent to give such talk. If school broadcasts are conducted on these lines, they will form a very efficient supplement to education.

Use of audio-visual aids help in maintaining discipline in the class since all the students' attention are focused in learning. This interactive session also develops critical thinking and reasoning that are important components of the teaching-learning process. Audio-visual provides opportunities for effective communication between teacher and students in learning. Students learn when they are motivated and curious about something. Traditional verbal instructions can be boring and painful for students. However, use of audio-visual provides intrinsic motivation to students by peak their curiosity and stimulating their interests in the subjects.

Check Your Progress-1

Note : (a) Answer the questions given below.

(b) Compare your answers with those given at the end of this lesson.

- (i) Audio means what we
- (ii) The five sensesplay an important role in communicating message.
- (iii) Audio Aids are any instructional device that
- (iv) Visual Aids are any instructional device that
- (v) Audio-Visual Aid involves the sense of as well as

4.5 SELECTION AND USE OF AUDIO-VISUALAIDS FOR TEACHING OF COMMERCE

The use of sensory aids in teaching of commerce is of recent origin. We have been using text-book, writing materials, black-boards etc. since long as indispensable equipment for commerce classes. These things have their effect on the sense organ of students and so a coordinative teaching is possible. In the education today an attempt is made to coordinate the working of Head, Hands, Eyes and Ears. In the present day society for imparting commerce education we need various types of teaching aids. These teaching aids are needed to impart education is a modern way. Audio-visual aids have brought about a revolutionary change in the education system. Even more sophisticated teaching aids may be available in near future and such sophisticated and advanced teaching aids may be available for use in teaching in the coming generation. The instructional material needed for different subjects of the commerce programme are almost limitless. In addition to text books these day some institutions have work-books, teacher’s manuals, practice sets and various types of test. The other instructional material commonly used includes films, film strips, pamphlets, hand-books, cyclostyled or typed material, journals and other annual publication etc. The use of such instructional material is considered to be quite useful in improving the instructional programme of educational institutions. The material for use should be carefully selected and special care be taken to eliminate that type of material which distorts facts.

Audio-Visual aids play an important role in commerce education. They can be classified into three groups - purely auditory aids, purely visual and a combination of both auditory and visual aids. Media or materials in commerce education can be used for different purposes and for different groups of people. Learning and understanding seems to result when more senses, such as touch, sight and hearing are reached by the media. If used

properly they create interest and motivate people to learn. Learning is made more permanent because these aids supply a concrete basis for learning rather than abstract thinking.

No education can be effective without audio-visual aids. Audio-visual aids can be classified into three groups: (1) purely auditory; (2) Purely visual; (3) combined audio-visual. Auditory Aids include tape recorders, microphones, amplifiers, earphones etc. Visual Aids include blackboard, Flannel graph, Models, Specimens, Posters, Film strips, Slides, Epidiascope, Overhead projector etc. Combined Audio-Visual Aids include Sound films, Slide tape combination, Television, Computer & Internet. Audio-visual aids are used singly or in combination with other aids and extension methods. The choice of Audio-Visual Aids shall depend upon a number of criteria.

A Knowledge of the advantages, disadvantages and limitations of each audio-visual and is necessary in order to take proper use of them. Audio-visual aids are means to an end; not an end in themselves.

4.5.1 Audio-Visual Aid for Teaching of Commerce

- (i) **Posters:** Posters are intended to attract public attention. Therefore, the material needs artistic preparation. The message on the poster should be short, simple, direct and one that can be taken at a glance and easy to understand. The life of a poster is usually short and needs frequent replacement. Posters should be colorful to catch the eye and convey the message clearly. Simple language and short sentences should be used. If used in the class room teaching, they should be changed frequently. When possible explain the message to the learners and use them to supplement the teaching.
- (ii) **Business Magazines:** A good business magazine can be an important channel of communication. The material needs expert presentation. These magazines stimulate awareness among people.
- (iii) **Press:** Newspapers are the most widely distributed of all forms of reading material. They are an important channel of communication to the people.
- (iv) **Films:** Films are very expensive to produce, and they get out-of-date very quickly. But film-shows attract large gathering.

- (v) **Radio and TV:** These are found nearly in every home. They are potent instruments of education. Radio talks should not exceed 15 minutes.
- (vi) **Exhibitions:** If properly organized exhibitions can attract large numbers of people. Exhibitions are used in connection with key points of interest – e.g., fairs and festivals, mass campaigns, etc.
- (vii) **Museums:** A good museum can be a very effective mass media of education.

Audio-visual aids are valuable tools which can help teachers to reinforce education and make learning more interesting to students. However, every teacher must know how to select the most effective audio-visual aids, able to determine which audio-visual aids are available, and know how to use them effectively. Audio-visual aids are so beneficial that some teachers may depend too much upon them in their classes. Teachers must be taught that audio-visual aids are used only to supplement training. Audio-visual aids are designed to clarify and speed up instruction but they cannot take the place of the teacher. Some teachers mistakenly assume that the more audio-visual aids they use in their classes, the better their teaching will be. Their classes can become a kind of juggling act, a frantic shuffling back and forth from one type of training aid to another. A basic principle to bear in mind when employing audio-visual aids is that a few audio-visual aids utilized well will have better instructional results than a confusing array of aids which are presented so rapidly that sufficient time is not given for the students to understand the material presented.

An audio-visual aid (or aids) should be utilized only when it can assist in achieving the learning objective. The following principles will guide the teacher in the selection and use of the audio-visual aids. The audio-visual aid must be reviewed to ensure that the material it presents is relevant to the lesson and that it conveys or clarifies the learning objectives of the lesson. When a motion picture is used, the teachers should outline the purpose of the film; indicate ideas, actions, or points to be noted in the film or questions that may be answered in the film. After the film has been shown, the teacher should question the students or lead a group discussion to ensure that the students have become acquainted with and understand the material presented in the film. When an audio-visual aid is a motion picture, the connection between the lesson and the film must be made clear to the class by the teacher. The teacher should prepare the class prior to showing the film by indicating the points in the film to be noted, the new concepts

that will be brought out by the film, and the questions answered by the film. When the show is over, the teacher should summarize the film. This could then be followed by a group discussion. An audio-visual aid must be integrated into the presentation to achieve maximum usefulness. The audio-visual aid should not create distracting breaks in the presentation, but should be used in such a way that the presentation flows smoothly, without interruption. To accomplish this, the teacher must plan in advance how and when audio-visual aids are to be used in the presentation. This should be incorporated in the lesson plan.

4.5.2 Factors to be considered in Selection of Audio-Visual Aids

- (i) The nature of the subject matter being taught.
- (ii) The nature of audience: age, education, interest, experience, knowledge of subject, intelligent level of the group, etc.
- (iii) The size of the audience: for instance flash cards can be used for small group only, motion pictures for large audience.
- (iv) Aids must be easy to handle and transport. And it should be clean attractive and clean.
- (v) Relative cost of various aids. Effective aids need not necessarily be costly.
- (vi) An extension worker makes use of indigenous material, when the teaching aid is not available for the presentation.
- (vii) The facts should be scientifically accurate. Needed materials should be present
- (viii) All the information should be pertinent.
- (ix) It should cover the entire requirements.
- (x) All the ideas should be essential, significant and important to clear understanding.
- (xi) The teaching objective must cover the type of behaviour change, gaining information, changing attitudes or learning some skill.

4.5.3 Audio-Visual Aids Used in Teaching of Commerce

1. **Projected Aids:** A projected aid is one in which items to be perceived are projected on a screen using mechanical devices. Examples of Projected Aids are as under:
 - (i) **Overhead Projector:** The name overhead projector indicates that the projected image is behind and over the head of the speaker.
 - (ii) **Slide Projector:** Slide projector is an instrument equipped with a powerful light source and carrier for holding slides of suitable size.
 - (iii) **Film Projector:** A film in the form of a motion picture is considered to be a valuable instructional aid.
 - (iv) **LCD Projector:** LCD is the most advanced and sophisticated projecting aid. It is used to present a topic in the classroom or in front of a large audience.
 - (v) **Television:** Television is considered as the most efficient and effective means of mass communication. It should transmit sound as well as visual experience, which provides a different and unique learning experience to the students.
2. **Non-Projected Aids :** Non projected visuals are those aids which are used without any projection. So they translate abstract ideas into a more realistic format. They allow instruction to move from verbal representation to a more concrete level. Following are the examples of Non-Projected Aids.
 - (i) **Graphic aids :** Graphic aids are visual aids such as graphs, diagrams, charts, etc. and are represented on plane surface. **Graph** is a visual representation of numerical data. Graphs are mainly used for systematic consolidation of data, data analysis and interpretation or comparison. Graphs are of many types like Line Graph, Bar Graph, Circle or Pie Graphs, Pictorial Graphs. **Diagram** is a simplified drawing showing the appearance, structure, or workings of something; a schematic representation. Types of Diagrams are tree diagram, network diagram, flowchart and Venn diagram.
 - (ii) **Display boards:** It includes Blackboard, Blackboard summary, Bulletin board.
3. **Three dimensional aids:** It include **Activity Aids such as** Field Trips and Excursions, Commerce club or Association, School Bank, Co-operative store, Debates

and competitions, Exhibitions and Festivals, Visits to Banks, Visits to Insurance companies, Conducting Surveys, Commerce Library, Commerce room, Currant Affairs.

4.6 LET US SUM UP

It is clear that audio-visual aids are important tools for teaching learning process. It helps the teacher to present the lesson effectively and students learn and retain the concepts better and for longer duration. Use of audio-visual aids improves students' critical and analytical thinking. It helps to remove abstract concepts through visual presentation. However, improper and unplanned use of these aids can have negative effect on the learning outcome. Therefore, teachers should be well trained through in-service training to maximize the benefits of using these aids. The curriculum should be designed such that there are options to activity based learning through audio-visual aids. In addition, government should fund resources to purchase audio-visual aids in educational institutions.

Check Your Progress- 2

Note: a) Answer the questions given below.

b) Compare your answers with those given at the end of this lesson.

- (i) They can be classified into three groups.....
- (ii) Audio-visual aids can be classified into three groups:
- (iii) Auditory Aids includes
- (iv) Visual Aids include
- (v) Combined Audio-Visual Aids include
- (vi) A projected aid is one in which items to be
- (vii) Non projected visuals are those aids which are

4.7 LESSON END EXERCISE

1. What do you mean by audio-visual aids?
2. What are the various types of audio-visual aids?
3. What is the purpose of using audio-visual aids?

4. What are the various functions of audio-visual aids?
5. Enumerate advantages and disadvantages of audio-visual aids?
6. Explain the importance of audio-visual aids in teaching of commerce?
7. Explain various audio-visual aids used in teaching of commerce?
8. What are the factors to be considered in selection of audio-visual aids?

4.8 SUGGESTED FURTHER READINGS

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4.9 ANSWERS TO CHECK YOUR PROGRESS

Answers to Check Your Progress-1

- (i) hear.
- (ii) audio, visual, touch, smell and taste
- (iii) can be heard but not seen.
- (iv) can be seen, but not heard.
- (v) Vision; hearing.

Answers to Check Your Progress-2

- (i) purely auditory aids, purely visual and a combination of both auditory and visual aids.
- (ii) (1) purely auditory; (2) Purely visual; (3) combined audio-visual.
- (iii) tape recorders, microphones, amplifiers, earphones etc.
- (iv) Blackboard, Flannel graph, Models, Specimens, Posters, Film strips, Slides, Epidiascope, Overhead projector etc.
- (v) Sound films, Slide tape combination, Television, Computer & Internet.
- (vi) perceived are projected on a screen using mechanical devices.
- (vii) used without any projection.

**ROLE AND ORGANIZATION OF FIELD TRIPS,
COMMERCE CLUBS ETC IN TEACHING OF COMMERCE**

STRUCTURE

- 5.1 Introduction
- 5.2 Objectives
- 5.3 Field Trips
 - 5.3.1 Field Trip Procedure
 - 5.3.2 Advantages of Field Trip
 - 5.3.3 Disadvantages of Field Trip
 - 5.3.4 Importance of Field Trip in Teaching
 - 5.3.5 Importance of Field Trip in Learning
 - 5.3.6 Importance of Field Trip in Student Life
 - 5.3.7 Importance of Educational Tour
- 5.4 Commerce Club
 - 5.4.1 How can Commerce Club Become Active
 - 5.4.2 Objectives of Commerce Club
 - 5.4.3 Activities of the Commerce Club
 - 5.4.4 IT Enabled Activities in Commerce Club
- 5.5 Commerce Lab

- 5.6 Preparation of Low Cost Teaching Aids in Teaching of Commerce
 - 5.6.1 Graphic Aids
 - 5.6.2 Display Boards/ Black-Board
 - 5.6.3 Advantage of Low Cost/ No Cost Teaching Material
- 5.7 Let Us Sum Up
- 5.8 Lesson End Exercise
- 5.9 Suggested Further Readings
- 5.10 Answers to Check Your Progress

5.1 INTRODUCTION

A good business studies teacher should be able to apply the method of teaching that will help him to inculcate the desired learning experiences in the learners. He should know the principles guiding the choice of teaching methods and stick to them in all situations. He should always select appropriate teaching method at all times to be able to achieve his stated learning objectives. Effective teaching can be possible only when the teacher is able to promote interest among the students. For promoting the interest among the students a teacher can do various things such as demonstrate interest in the subject and in teaching, introducing the topics in new and interesting ways, point out practical applications and interesting examples, relating the subject matter to current events and students interest or activities, presenting challenging and thought provoking ideas, examining controversial issues, encouraging new ideas from the students and by the use of varied activities, media, and methods and providing practical exposure to the students. An effective commerce teacher must ensure proper management of the class through proper arrangement of the seats, teaching aids and elimination of all distractions. Appropriate instructional method enhances effective teaching and learning. There are various methods of teaching. Therefore, a professional teacher should be able to select and use the method or methods most appropriate for teaching his subject. However, one has to bear in mind that no one instructional method is the best for all subjects or topics. Teaching and learning can be enhanced by adopting different approach and method based on the subject matter at hand. The attainment of quality assurance in education sector depends on the methods and

strategies employed by teachers in imparting the desired skills and competencies to learners. If adequate attention is not paid to instructional delivery especially at the primary and secondary levels of education, the goal of using education as an instrument par excellence for achieving national development, will be a mere dream.

Commerce is such a subject which a teacher can use many different methods to teach, because it encompasses different subject matters as earlier explained. Therefore, a commerce teacher can adopt any or a combination of the following methods to teach commerce effectively - lecture, project, fieldtrip, discussion, role playing/ simulation, demonstration and questioning. Whatever method or combination of methods is used by a commerce teacher, he should always bear in mind the maxims of teachings, which state that teaching should proceed from simple to complex, from concrete to the abstract, from particular to general, from analysis to synthesis, from empirical to rational, from psychological to logical, from the indefinite to definite. These maxims of teaching are very important for teaching any subject, including commerce.

5.2 OBJECTIVES

After going through this lesson, you shall be able to:

- explain the concept of Field Trips,
- enumerate procedure, advantages, disadvantages and importance of Field Trip,
- give details on the Commerce Clubs,
- enlighten Commerce Lab, and
- elucidate preparation of Low Cost Teaching Aids in Teaching of Commerce

5.3 FIELD TRIPS

Educational Field Trip plays a vital role in the school curriculum, which serves a wide range of benefits in several ways including learning and teaching. One of them is that they help students to learn through authentic experience and can be an interesting way to explore new things for both the learners and teachers. This is the reason why students should encourage engaging in field trips which are significant for students. In terms of educational, students have ample opportunity to witness new things, learn about new environments at their own pace and immerse themselves in an authentic experience, without

having to the anxiety of homework, exams or tests. Most importantly, field trips contribute greatly to build self-confidence and foster a sense of teamwork and community. It is highly recommended for you to add educational school trips part of traveling, you definitely get abundantly memorable experience and deep knowledge of various aspects in life.

Educational visits to banks, insurance office, factories, business houses, stock exchange markets, super markets, production centers and exhibitions help students to explore their environment. It helps the teacher to teach lessons with suitable practical examples. Experiences gained by these visits are not easily forgotten. Since it is practical experience it provides opportunity to acquire knowledge and understand the subject. It links not only the classroom subject but also provides general education. It provides useful contacts with the real world.

Field trip or Excursion method is the act of taking students outside classroom for them to learn some concept and things as they occurred in their nature state. Field trip is a very effective method of teaching commerce because commerce is a practical subject and it is related to real life. So for teaching commerce effectively, commerce teacher should encourage students' participation and first hand information from the experts in their various fields. It is a very effective method of teaching such aspect of commerce that is vocational based such as production, occupation, banking. Sometimes, students are organized into visitation teams to various industries, firms, offices, companies etc of their choice. This enables the students to see themselves for how and what they are taught in the classroom which is done in real life situation. For instance, when teaching stages of production, a visit could be made to extractive, constructive and manufacturing industries, to see for themselves how raw materials are extracted and converted to finished products. When teaching home trade the teacher can take his students to one or two retail shops and allow the students to interview the owner/shop keepers. They can take a trip to a wholesaler's warehouse. There are many topics in commerce that requires fieldtrips for effective teaching and learning, but there is usually insufficient time which hindrance for using this method.

Every visit should be preceded by preparation in the form of a short introductory talk explaining the nature and object of the visit and suggesting special points or factors to be looked for. At the time of the actual visit the teacher should correlate the subject matter with the real field. It is equally important that the result of the visit should be consolidated by questioning and discussion so that it may fulfill the designed purpose. The teacher can

ask the students to write one assignment about the field visit. Visits without the preparation and follow up will, serve only the entertainment purpose. The teacher must also realize the responsibility at the time of conducting field visit. He should get the parents consent in the written form for pupils to take part in visits outside the school. He should also get the official permission from the head of the institution and from the higher authority of the place in which he is going to conduct a field visit.

The teacher may invite an outside speaker for speaking on a specific topic. They can provide on-the-job information, give demonstrations, use illustrations to stimulate and provide motivation to students. The students should be actively involved in the programme.

5.3.1 Field Trip Procedure

- (i) Field trip/excursion if properly organized could be very useful in teaching some concept to students.
- (ii) There should be adequate preparation for the trip and notes should be carefully made of things observed during the trip which the teacher must have earlier on described to the students in class. The teacher should visit the site before the date of their excursion and make adequate arrangements.
- (iii) The teacher should choose place to go for field trip with education value.
- (iv) The place chosen must be safe.
- (v) The concepts to be learnt must have relevance to their core curriculum.
- (vi) As soon as the trip is over, the teacher should guide the entire class in evaluating the results so that maximum educational value can be derived from the trip.
- (vii) The students should be allowed to ask questions on their observations.
- (viii) Finally, students must write a report of the trip.

5.3.2 Advantages of Field Trip

- (i) Field trip helps students to use their sense of observation.
- (ii) It helps students to relate what is taught in the class reality.

- (iii) It aids the development of enquiring mind among them.
- (iv) It will also help in retention of knowledge for longer period.

5.3.3 Disadvantages of Field Trip

- (i) It is time consuming
- (ii) It can be dangerous if not properly planned.

5.3.4 Importance of Field Trip in Teaching

Educational Field Trips can associate with a variety of benefits for teachers and students. In terms of teaching, it would be better for the teacher to take part in field trips mostly because of its advantages. It is true that the trips provide teachers with ample opportunity to develop personality and professionalism. Obviously, it is necessary for teachers to get in touch with innovative practices and the latest teaching methods to apply these ways into the curriculum at school. Educational field trips help teachers widen their horizons of knowledge and broadening the scope of their syllabus. Most educational trips pay much attention to outdoor activities with a wide range of aspects in life. It means the trips allow the teacher to connect the classroom with real-life and authentic experience. Therefore, it is considered a fantastic way to improve their lessons and catch up with innovative teaching which is more practical and meaningful. Most importantly, the teacher is a guide to inspire and stimulate students to understand the world that exists beyond the school curriculums. To be more precise, students will be encouraged to learn not only knowledge but also soft skills, life skills, communication skills and more.

Other benefits of educational trips are that they give teachers the chance to meet up experienced and minded teachers. This is a chance for them to exchange and share the experience as well as teaching methods. It also allows them to widen their circle friends and learn from fellow colleagues. Obviously, educational field trips are effective methods to teach difficult subjects such as history, biology, or physic. It is easy for students to learn these topics by seeing and experiencing real life. For example, teachers can bring the students to a historical museum in order to learn stories, events, and characters in history subject. With a field trip on a biology class, teachers can guide your students to observe certain types of insects. trees or animals. It is true that the method is a fantastic way to help students get a deeper understanding of biology subjects through real life. Not only that, but

learning in educational trips also helps students to have so much fun. With support, help, and guide from teachers, educational tours can act as a mobile class for students. This is the reason why the numerous benefits of an educational field trip for teachers cannot be overlooked.

5.3.5 Importance of Field Trip in Learning

In terms of learning, an educational field trip is one of the most fantastic ways for young students to learn through real life. It is true that the educational field trip is a perfect combination of sightseeing, learning, traveling and hands-on learning opportunities. These trips contribute significantly to the cognitive development of children mostly because educational travel allows students to witness authentic things beyond the theory of subjects by actually experiencing and seeing in real life. Obviously, there is no better way to learn something than to see or do it for yourself. Students will develop a sense of enjoyment and feel the subject closer without the pressure of doing exercises or being called to answer a question. It erases the boredom of classroom lectures and gives students the opportunity to visit new places and new environment which are good ways to awaken students' interest and learn by actually doing a hands-on experience. On educational tours, students can interact with other people from all sections of society. It gives them a chance to gain new perspectives, and learn from complete strangers with different opinions. Along with professional skill development, students can get a chance to learn local customs and build independence and confidence. Most importantly, field trips will often create a lot of learning styles and make them excellent teaching tools for students. It is not simple as lectures in the classroom, field trips apply proactive learning such as seeing, observing and practicing. It is apparent that educational field trips play an indispensable in learning. Therefore, the mode of trips should be encouraged and developed.

5.3.6 Importance of Field Trip in Student Life

It would not be completed your trips if you forgot to set up an educational field trip in your student life. It is time for you to learn new things and get a deeper understanding of life. Having an educational trip in the early part of the term is so wise since it will allow students to bond with classmates they may not know very well. Getting away from school a day is always exciting for students and gives students an opportunity to spend time with each other in a new environment. Most of the educational tours organized with groups so it is beneficial for students to develop a sense of community. They can chat, observe and

learn about each other. Taking students into a new as well as unfamiliar environment provides them with an amazing experience of traveling with peers and sharing responsibilities. Most importantly, the educational trip provides valuable lessons away from the classroom, without using textbooks and other tools used in a normal school curriculum. To be more precise, if students have a chance to visit the science center or historical museum, they will be excited to learn these subjects with authentic experience by seeing the historic events from his/her own eyes. Not only can that, during the course of the journey, students save unforgettable memories in their student life which is indispensable to anyone. No matter what memory is, it definitely becomes a necessary part of your student life simply because it gives them ample opportunity to learn from their own experiences and from the experience of others. Because of these reasons below, parents or schools should encourage educational tours in schools and colleges to develop the personalities of students. The benefits of educational field trips contribute greatly to career development and social skills development later in life.

5.3.7 Importance of Educational Tour

It is true that there are various benefits to take from educational excursions. Though the primary purpose of educational tours is to educate students, they are also used as part of the curriculum to cover a wide range of life skills including teamwork, time management, communication, etc. This is because educational travel allows students to dip in fresh experiences, and use them to enhance their career prospects. If you are setting up an educational tour, you should spend the time to research useful information and prepare the necessary things for this. For example, you should pay much attention to the means of transportation, the budget, the number of students, etc. The importance of educational tours for students can be better in various ways. First of all, this tour provides ample opportunity to exchange and learn many skills with each other. On educational field trips, students feel the sense of enjoyment which offers them to acquire a fresh perspective, learn new things and witness different sides of the country. This opens up endless possibilities to understand the world. Going on educational tours means to have a major educational element including giving students the chance to build closer bonds with their classmates, experience a new environment and enjoy a day away from the classroom. Obviously, it is highly beneficial for them to develop a sense of community and enhance their communication skills. Most importantly, it also helps the teacher meet certain objectives of the curriculum by designing tours suitable for specific requirements. Teachers need to choose the kind of

experiences for a student, which depends on ages, purpose or time. One of the most effective ways is to consult a professional educational travel company that can help you to have the best tour. Obviously, whether you are a student, a teacher or a curious parent, you should set up an educational tour for young people to save unforgettable memories as well as learn amazing things.

Check Your Progress- 1

Note: a) Answer the questions given below.

b) Compare your answers with those given at the end of this lesson.

- (i) Field trip or Excursion method is the act of taking students..... for them to learn some concept and things as they occurred in their nature state.
- (ii) Advantages of field trip are.....
- (iii) Disadvantages of field trip are.....
- (iv) The benefits of educational field trips contribute greatly tocareer development and social skills development later in life.

5.4 COMMERCE CLUB

Commerce Club is a great way to spark a child’s interest in learning. It gives students a chance to question how or why things work and work toward solutions. A Commerce Club can give students a safe environment to learn and interact with others with similar interests. It can also provide a safe place for students to explore and discover, especially for those who may not have strong support at home. We do not need to be teachers or economists, managers to start a Commerce club; just bring our enthusiasm to inspire young minds. Our club can also prepare students for commerce fairs/ projects, tests, and material they will learn in the future. When we start a Commerce Club, we are helping the community by inspiring young people to learn and earn.

In Student Teachers former secondary school, it was compulsory for every student to join at least two clubs. For either lack of knowledge about the importance of clubs or out of naughtiness, some students protested against this rule and only participated as

observers in their clubs. The same is still true today with some opting to concentrate on their books or go home instead of joining others in club activities.

Commerce Club can play a parent's role in some cases. There are topics that most parents shy away from discussing with their children. However while with their peers in these clubs, students tend to be more open about issues of them and in the process learn one or two helpful things under the guidance of an adult teacher. The fact that the clubs do not discriminate against any one means it is possible to have students from Senior One up to junior all united under one umbrella which gives everyone an opportunity to learn from each other.

As the part of commerce clubs Students meet for training at least once a week. The training may varies according to the interest and needs of students. These sessions promote unity in the group and impart important values like discipline which remains part of their life even after school. Anyone who wants to become confident and a better communicator must join the debating programs. Those who participate in debates regularly usually have better communication skills than those who don't. Through debating competitions, students can improve their communication skills and can also meet influential people.

Commerce Clubs also have the glue that holds friendships together for a long time. We can see our senior students may say: "I left school sometime back but I have been able to keep in touch with my old friends because we still keep track of our former clubs' activities. For instance I am still a member of the Commerce Club at my former school." Most benefits of being a member of a school club may not be realized immediately but later in life. Because club members usually have similar interests, they easily maintain friendship and venture into different things together. Many active students who have developed simple gadgets while still at school in their commerce clubs have gone on to make bigger innovations in life. After undergoing training at school, we would go for further preparation in the camps. In the camps we were taught a number of survival skills like setting up fire but today very few schools have such active establishments.

Some teachers and parents, however, argue that today's clubs are no longer as active as the old days. Some says many years ago our club was very active and competitive. Some teachers say we can't activate a club because we have only average students with poor background. Actually these are excuses.

We are the teachers- the one who are the creator of new generations. Teaching is the only profession that creates all others professions. Teachers must think positively by asking the following question in their mind while they are running a commerce clubs in their schools. The most important question was as follows:

5.4.1 How Can Commerce Club Become Active

The Commerce clubs should begin visiting their counterparts in other schools so that they interact and share experiences.

- (i) Competition is needed among these clubs. Members should be able to train together, form teams and compete against each other. Teachers can also organize competitions and we will see how active members will be.
- (ii) Parents should also take interest in the activities their children get involved in and always offer them the emotional and financial support that they might need to travel or buy costumes. That means we should participate parents involvements in clubs activities.
- (iii) Since we all agree that clubs are important, both parents and school administrators should work together to ensure that clubs are active. Sometimes the commerce club needs professional people to educate members.
- (iv) Clubs help students to develop their talent. Besides teaching concepts, teachers should get more involved in commerce club and its activities.

Commerce club or association is started the leadership of commerce teacher. The commerce teacher should take all possible steps to run the club effectively by gaining adequate support from the administration students and the community. It should be run democratically with an elected president student secretary executive members etc. all the co curricular activities of the department should be done under the banner of the commerce club.

A draft constitution of the club can be prepared by the commerce teacher, in consultation with the headmaster, to facilitate the smooth functioning of the commerce club. This draft constitution provides information on name of the club, aims and objectives of the club, membership details and membership fees, purposes for which the expenditure

can be incurred, the competent authority to sanction the fund, the various offices available and the procedure for filling up such offices etc.

The following office bearers are essential for the successful working of the commerce club.

- **Patron**

The commerce club should have the head of the institution as its Patron.

- **Sponsor**

One of the senior commerce teachers can be the sponsor of the commerce club.

- **Members**

All the commerce students of the school/ college/ university can be the members of the club. Those who are interested in commerce can be associate members. However the membership of club should be as far as possible fairly homogenous as regards age and grade level in order that programmes that may be of interest to all the members can be arranged.

- **Executive committee**

An executive committee should be formed including the following members elected or nominated from among the students.

- ✓ Chairman
- ✓ Secretary
- ✓ Assistant Secretary
- ✓ Treasurer
- ✓ One or two class representatives from each class.

5.4.2 Objectives of Commerce Club

- (i) To expose students to meet the practical challenges in the current business scenario.
- (ii) To let the students interact with business experts of industry: it helps them develop.

- (iii) To encourage students to become various schools event managers in various events such as Annual day, food festival, fresher's day, fees collections etc.
- (iv) To build self-confidence and proactive approach through Personality development, speech, writing, arts, sports skills.
- (v) To increase financial literacy among students via Management of time, money activities like bank formation etc.
- (vi) To develop the knowledge of e-commerce for earning money through internet.
- (vii) To generate and discuss new business ideas and business plan.
- (viii) To make students prospective entrepreneurs who is not a job seeker but a job creator.

5.4.3 Activities of Commerce Club

- (i) Manage and plan school events such as Fresher's day, Arts day, Sports day, PTA meeting, and other programs.
- (ii) School Magazine management and planning.
- (iii) 3 months quarterly bulletin formation.
- (iv) Student's banks.
- (v) Competitions to improve communication skills.
- (vi) Power point presentations
- (vii) Developing Personality and attitude of students.
- (viii) Business Quiz
- (ix) Collection and recording of fees and other financial management.
- (x) Guest Lectures(business and economics experts,shares etc)
- (xi) Industrial Visit
- (xii) Debate and Case study.

- (xiii) Group Discussion and interview models.
- (xiv) Food festival management and new marketing techniques, sales.
- (xv) Flash mob(selling seeds, Books)
- (xvi) Door to Door sell.
- (xvii) Selling School students Products through store.

5.4.4 IT Enabled activities in Commerce Club

- (i) Blog formation and graphic design.
- (ii) Add enabled e- commerce marketing.
- (iii) Second hand sales of books.
- (iv) YouTube monetized videos.
- (v) Free lectures and study materials.
- (vi) Online free pdf notes and paid notes.
- (vii) Use of social media for business and economic activities.

Check Your Progress- 1

Note: a) Answer the questions given below.

b) Compare your answers with those given at the end of this lesson.

- (i) Audio means what we
- (ii) The five senses play an important role in communicating message.
- (iii) Audio Aids are any instructional device that
- (iv) Visual Aids are any instructional device that
- (v) Audiovisual Aid involves the sense of as well as

5.5 COMMERCE LAB

The commerce teacher must form one commerce library in his school; it should contain suitable books on commercial topics, trade periodicals and government publications. They are to him what the equipment of workshop and laboratory is to the engineer and the scientist. The commerce teacher can ask the students to write assignments by referring those books.

A dedicated Commerce lab for the benefit of staff and students has been initiated in new premises to develop global competency and keep them updated with recent practices in the business world. Commerce Lab provides practical exposure of the processes and procedures followed by organizations in conducting commercial practices. The lab provides practical orientation to students by linking the subject syllabi with practical training in the lab. The Commerce Laboratory is equipped with the latest teaching aids such as projector, video camera and Laptop. Charts, Models, Magazines prepared by students are displayed for the benefit of all. Again, an all out effort is being made to install the laboratory with the latest gadgets. The Lab is also used for interaction with the peers from other institutes. Students also participate in group discussions, interviews, presentations, etc. arranged here from time to time. The lab's membership and facility come at no extra cost for the students and staff of College. With the commerce lab, the college aims to stress on the importance of practical application of knowledge gained through theory, among students and faculty.

The trade and commerce is rapidly increased due to liberalization, globalization and privatization. This require more number of commerce graduates and also commerce professionals like Chartered Accountants (C.A), Company secretaries, Cost accountants, MBA graduates. Our commerce professionals have a good demand in the world as financial advisors, consultants and auditors.

The commerce laboratory is a new concept, where in students practice their theoretical knowledge gained in classroom. In addition student carries on more and more experiments. Mock commerce and business activities are undertaken in laboratory. Besides creating an interest in students, the labs also help in developing entrepreneurial capabilities and personality development.

One of the major objectives of a commerce lab is the introduction to the various instruments and documents use daily in commerce based application and services such as:

- Banking Forms
- E- commerce related document
- Taxation auditing
- Stock exchange
- Insurance etc.

Today, commerce and business education is the second most attractive degree course after engineering. This is due to the quick placement and attractive salary obtains by candidates. Employers prefer commerce graduates because of conceptual/ theoretical knowledge of business which is useful to the organisational activities. And recruitment of such commerce degree candidates reduces the cost of training. To make it more attractive and practice-oriented, every college should start a Commerce Laboratory and demonstrate the business activities. Today, all professional educational courses have wide demand in the job which market is mainly because of practical i.e. application of theory in laboratory and practice with different experiments. It makes concepts clear. Hence, many educationists suggested establishing Commerce Laboratory in every Degree College and post-graduate centre. In addition, the students should be taken to banks, factories, business Organisations, markets and offices to show the actual working. They can understand the real workings of the business and get confidence of setting their own venture instead of working under some person.

Earlier, commerce graduates belonging to urban/industrial areas were absorbed quickly because of good communication and presentation skills. But today due to development in communication and transportation, rural candidates are also employed by the employers due to common syllabus. Further, the turnover rate of rural candidates in job market is less compared to urban candidates. Now the enrollment to commerce education by the girl students has also increased. Thus, currently it is very difficult to get a seat in a good college by a meritorious student. In almost all colleges, the seats are full.

The trade and commerce is rapidly increased due to liberalization, globalisation and privatization. This requires more number of commerce graduates and also commerce

professionals like chartered accountants, company secretaries, cost accountants, MBA graduates. Our commerce professionals have a good demand in the world as financial advisors, consultants and auditors. Though any degree holder can join the above mentioned commerce professional course, the commerce degree holders will have more scope of success. Hence, there is greater preference to commerce course. Practical-oriented and introduction of specialization in degree level course of study will enhance the scope of the commerce students in the job market.

The Commerce laboratory is a new concept, wherein students practice their theoretical knowledge gained in the classroom. In addition students carry on more and more experiments. Mock commerce and business activities are undertaken in laboratory. By this method of learning and practicing, candidates will develop self-confidence of running a business profitably and understand the practical difficulties.

Considering the importance of practicals in commerce and business Education, Sri Pratap Memorial Rajput College of Commerce (Jammu and Kashmir), The Deccan Education Society's Brihan Maharashtra College of Commerce, Pune (2003), The Maharashtra Education Society's (MES) Garware College of Commerce Pune (Maharashtra State), Patna Women's College (PWC), Patna (2010), have established the Commerce Laboratory. The Osmania University during 2008, in its Board of Studies meeting approved the budget proposal for establishing Commerce Laboratory in every college and in every post-graduate department.

It is very difficult to list out, what the laboratory should have and what kind of practicals to be conducted/ demonstrated/ practiced. However, a well-trained and knowledgeable teacher can develop any number of practical exercises to make the candidate understand the concepts.

The first and foremost thing is to provide a well-furnished room with internet connectivity. Keep teaching aids like projector, video camera, multimedia, laptop, TV, CD, LCD player and public address system to be provided to help and practice. Seating arrangement is to be made for conducting meeting, interview, and group discussion.

Following points specify how commerce lab is used to display, practice, provide, keep and organise various commerce related material. These are explained as under:

I. Display

Photos of the successful business icons, their ideas, and way of working, their goals, their growth and achievement are to be displayed. This will motivate students to set their life goals and try to be ambitious. Keep videos, books and writings related to such big giants and their success stories, so as to understand how they can become successful.

All kinds of forms used in banks, finance corporations, insurance, Tax Departments etc. like Pay-in-slip, NEFT, RTGS forms, Account Opening Form, Debit, Credit, ATM cards to understand the rules and regulations applicable to them and the procedure for applying and precautionary measures to operate them. Students will be asked to fill such forms. Bank loan advancing documents like Agreements relating to Lien, Pledge, Hypothecation, Mortgage should be kept.

Keep Prospectus, Share Certificates, Debenture Certificate, Memorandum of Association, Articles of Association, Annual Reports, Director/ Chairmans Reports, Audited Balance Sheets, Profit and Loss Accounts etc. of the various companies, which will help students to study, compare, evaluate and analyse the financial position.

Financial Bills like Bills of Exchange, Promisory Notes, Quotations, D.D. Cheques etc, Posters, Advertisement copies, Prospectus regarding Professional Educational Courses like CA, ICWA, CS, MBA, PG & other Higher Educational Courses are to be displayed to help them to choose the courses of study.

Notifications, Amendments, Circulars on various financial matters issued by reserve Bank of India, Insurance Regulatory Authority, Stock exchanges, Government Departments etc., are to be kept.

Various Magazines / Jourals / Bulletins relating to Marketing, Finance, Management and daily newspapers like The Economic Times, The Business Line, The Financial Express etc., are to be displayed.

II. Practice

Students are asked to fill up the Income Tax, Sales Tax and Municipal Tax Returns and ask them to submit in the respective departments. For imparting practical knowledge, the Tax Practicing Consultants to be invited for providing the latest information. Today

most of the returns are submitted through Internet (online). Hence practical submission of returns to be practiced in the college itself by the students.

Online Stock Exchange activities should be shown to the students by which they can understand the mechanism of Share Market. Share Brokers are invited to train practical aspects of share transactions and also the precautions to be taken.

Mock Meetings, Interviews, Group Discussions, Elections, Votings, Selection of candidates, Problem Solving, Negotiation, etc. to be practiced in the lab which will facilitate them to develop communication, participation and presentation skills.

These activities are recorded and replayed so that the students can understand their mistakes and rectify them. Various sessions are conducted to hone Communication, Presentation, Leadership Skills.

III. Provide & Keep

To facilitate Role Playing activities like Marketing, Management, Meetings, Discussion etc., a full-fledged meeting room with a mike system and furniture is provided.

IV Organise

Organise Seminars, Conferences and conduct Competitions related to business activities to develop healthy competition among the students Conduct Preparatory (Mock) Competitive examinations like FDA, KPSC, Banks etc., Get affiliation to run hartered Accountancy, Company Secretary, Cost and Works Accounts, Bank Examination Courses.

Organise Sales Melas and Exhibitions to involve our students to develop the leadership qualities and to build organising capacity.

Invite non-commerce students and the Public to visit the lab, and understand the business transactions.

The above list is sample activities to be done in the lab. A creative teacher can develop number of activities to suit the present business situations. The laboratory will also help a teacher to undertake research work and perform extension services.

5.6 PREPARATION OF LOW COST TEACHING AIDS IN TEACHING OF COMMERCE

Low-cost teaching aids can be used for supplementary and illustrative education in the commerce as well as sciences. In a resources-starved economy such as India where the masses need to be educated about how to properly dispose household waste and used items and huge piles of garbage and trash is dumped on roadsides and street corners, low-cost teaching aids made from household waste and trash serve a particularly useful purpose. With a bit of creativity and imagination, scraps of metal, wood, plastic, rubber, paper etc. can metamorphose into valuable items, which can be used as effective teaching tools. System-wide use of low-cost teaching aids will not only boost teacher/student creativity and involvement, help institutional budgets go a longer way, but also serve to keep our immediate environments clean.

Following are some low cost teaching aids can be used in commerce:

5.6.1 Graphic Aids

Of the various graphic aids snaps and globes are most important. In the words of McKeon and Roberts, “In these visual aids, which are commonly designated as graphic material, ideas, objects and principles and represented pictorially by lines, colors, figures and numerals.

For example a map, chart, graph, cartoon or diagram reflects something that would be impossible or impracticable for the individual in reality. Even such conventionalized representation as time- savers and space-savers”.

Mostly the graphic aids are highly symbolic and the learner has to translate them into reality before they can be understood.

“When the representation is planned, the represented selects those items which he wishes to show or emphasize, relatively few, eliminates or sub-ordinates non-essential and presents these few boldly, vigorously and often dramatically”.

In some types (e.g. cartoons) he frequently distorts and exaggerates so as to make his presentation more striking and more easily understood such representations are generally two dimensional only.

1. Maps: Maps are useful teaching aids both for elementary and secondary schools. With the help of maps teacher can focus the attention of the whole class and can illustrate better than by oral description. Pupils may be asked to observe the under courses and land forms or topography of a region. These maps should have following qualities:

- (i) They should be drawn either by the students or the teacher. They may be drawn on a piece of paper or cloth.
- (ii) A good map should depict as least one of the things correctly. These are shape, area and direction. If a map depicts two of these things correctly then it is all the more good.
- (iii) The various symbols used for representing different items should be clear and distinct from each other.
- (iv) These should be used as a subservient to the subject matter of commerce.
- (v) The color used in the maps should be sober and beautiful. They must be such as appealing to the eye and the mind.
- (vi) All out efforts are made to show as many details as possible in the limited space available in a map.
- (vii) Special care is taken to use good hand writing and beautiful letterings while preparing maps.

2. Charts: The charts are very useful teaching aids because they help the teacher to explain the points which otherwise would be difficult to explain. In teaching of commerce charts are inevitable material aids, charts can be used in almost every topic. The charts help in creating a suitable subject atmosphere in the class room and in elucidating various points. These charts can also pertain to different commercial products. Charts help in saving time because instead of drawing them on the black-board, the teacher can depend upon the pre-drawn diagram. Moreover it is not always possible to draw a diagram on black-board with accuracy. It is better if the charts of the topic, being dealt with in the class, are depicted prominently in fairly good number. Charts should be changed with topic. Following points should be kept in mind while using charts as teaching aids:

- (i) The charts should be neatly prepared. Important results or figures should be neatly drawn.
- (ii) The size of a diagram, figure or shape should be appropriate. It should neither be too big or too small.
- (iii) To draw attention to some specific points different colors can be used while making a chart.
- (iv) Charts should be accurate.
- (v) The chart or portion of the chart should be depicted only for a short duration whenever it is needed.
- (vi) It is desirable that the students are encouraged to prepare simple charts.

Types of Charts

Here we give a list of basic types of charts in terms of arrangements and kinds of ideas which they may express.

(i) **The Narrative Charts:** Such a chart is an extended left- to-right an arrangement of facts and ideas for expressing:

- The events in a process such as shoe making, oil cracking etc.
- The events in a development of significant issue to its point of resolution or to present status.
- Technological development over a period of years such as improvement in transportation, communication, manufacturing etc.

(ii) **The Tabulation Chart:** In them there is a left-to-right, top to bottom arrangement of facts and ideas for expressing

- Numerical data for making comparison, and
- lists of products or the like in selected areas.

(iii) **The Cause and Effect Chart:** In it is usually a left-to-right arrangement of facts and ideas for expressing

- Relationship between standard of living and such factors as economic system, availability of natural resources, level of technological advancement etc.
- Relationship between a culture and neighboring cultures.
- Relationship between rights and responsibilities.
- Relationship between a complex of conditions and change or conflict.
- Relationship between community workers and the community that supports them.

(iv) **The Chain Chart:** It is a circular or semicircular arrangement of facts and ideas for expressing

- Transitions
- Cycles etc.

(v) **The Evolution Chart:** It is a left-to-right arrangement of facts and ideas for expressing:

- Changes in specific items from beginning to date, perhaps with projections into the future, e.g. origin of automobiles, its subsequent development etc.
- Changes in the standard in food consumption, length of work, purchasing power of a rupee etc.

5.6.2 Display Boards/ Black-Board

Black-board is an integral part of the Commerce class room. The black-board should be well polished and smooth. It should be black in color and fit for writing with a chalk. In some countries the color of black-board has now been made green. This has been done because the green color is useful for eye-sight. The use of colored chalk can be made to draw figures. Various ways in which a black-board is used are listed below:

- (i) The teacher can illustrate his lesson on the black-board and draw the attention of the class to salient features in the lesson.
- (ii) The lesson can be phased and summarised in the right manner.

- (iii) Questions and problems when planning class-work or approaching a new subject can be listed by the teacher on the
- (iv) Pupils interest in class work can be stimulated by black-board writings and drawings.
- (v) It can be used by a teacher for graphs, maps, graphic statistics, sketches etc.
- (vi) It provides a lot of space for decorative and creative work.
- (vii) The teacher can erase writings and drawings and start afresh.
- (viii) It helps the teacher to focus attention of his students on the lesson. It takes into consideration the varying capacities and rates of group of students.
- (ix) A teacher can review the whole lesson for the benefit of the class with the help of the black-board.

The use of black-board in class teaching creates an informal atmosphere and motivates learning. Teaching is no longer confined to any one instructional device. It is a help to 'planning' to 'crystallize' main points and to 'summarizing' and 'reviewing' results.

5.6.3 Advantage of Low cost/ No Cost Teaching Material

The major concerns of developing countries are food supply, livelihood, health, nutrition and growth and economy. At the level of the student and his family, food, health, and livelihood are primary concerns. In developing the need is great for self-reliance in commerce teaching at country level and more importantly at teacher level. The use of Low-cost/No-cost teaching material for science education has certain important advantages in developing countries like India:

- (i) **Cheapness:** Investments in equipment for all students at a given level are a heavy financial burden for a Developing country. Essential follow-up procedures like teacher training in the pedagogical and technical use of the equipment, provision of maintenance, and replenishment, etc., are sometimes not accomplished because of the lack of funds.
- (ii) **No fear of loss:** There is another risk in connection with the high cost of equipment. It is sometimes safely locked up in the school and not used at all, because the

teacher is afraid that he/she or the students might break it and that he/she will have pay for it from his/her own pocket.

- (iii) **Proper use:** The costs of locally produced equipments are often low but not always, lower than the imported equipment. When calculating the cost of the equipment some factors should be kept in mind. They are durability of the equipment, additional installation costs, service costs, cost of teacher and technician training. We should also kept in mind that most expensive equipment is that which is never used.
- (iv) **Same principles:** Low cost equipment illustrates the same principles as imported expensive equipments.
- (v) **Maintenance and repair:** If equipment is simpler in design, teachers, laboratory technicians and local craftsmen are more likely to be able to carry out small repair.
- (vi) **Relevance to the curriculum:** In practice, development of low cost equipment are often at the sometime involved in curriculum design.
- (vii) **Higher school content:** Equipment made of parts and material familiar to the students is more likely to help the students.
- (viii) **Self reliance:** It cultivates confidence and expertise to educator in developing country.
- (ix) **Related to real life:** Teacher need to realize the significance of practical work in science education as well as the use of social resources in laboratory activities.
- (x) **Economic:** It is very difficult to establish commerce laboratories and demonstration rooms due to financial constraints. Much equipment for several experiments can be produced under their low cost variety.
- (xi) **Helpful for teacher:** Because of overcrowded classroom, teacher cannot provide individual attention to students.
- (xii) **Active method, Group work, Fun:** Making and using low cost equipment encourage the active method and group work can be great fun, each pupil can

make his or her own equipment and even bring it home. It is the active method of learning.

- (xiii) **Strength:** Made of paper, wood, metal, string etc. such equipments can be treated roughly with no damage. Hence pupils feel more at ease.

Check Your Progress- 2

Note: a) Answer the questions given below.

b) Compare your answers with those given at the end of this lesson.

- (i) Commerce lab should contain suitable books on.....
- (ii) In Display, Photos of the are to be displayed.
- (iii) There are five types of Charts. These are

5.7 LET US SUM UP

Effectiveness of teaching also depends on how well it is planned and organized. At the same time teacher should demonstrate how ideas in specific lessons fit into the course as a whole and relate class material to other parts of the course. While teaching, teacher should also remember the maxims of teachings i.e. proceed from simple to complex, from concrete to the abstract, from particular to general, from analysis to synthesis, from empirical to rational, from psychological to logical, from the indefinite to definite. These maxims of teaching are very important for teaching any subject especially commerce because this subject is taught at higher secondary level where we have grownup students.

Effective teaching is also about style. It should be entertaining. So teacher should incorporate humor in the teaching but there is a word of caution that it should not be at the cost of the students. Commerce is such a subject which is related to current situations, so a commerce teacher should keep himself up-to-date, so while teaching he should talk about current developments and relate the subjects to current events and other fields, at the same time he should provide insights or knowledge beyond the text.

5.8 LESSON END EXERCISE

1. Explain the concept of Field Trips.
2. What are the advantages and disadvantages of Field Trip
3. Explain the importance of Field Trip in student life
4. What you mean by Commerce Clubs?
5. How can Commerce Club become Active?
6. What are the objectives of Commerce Club?
7. What are the various activities of the Commerce Club?
8. Give some tips on the preparation of low cost teaching aids in teaching of commerce.

5.9 SUGGESTED FURTHER READINGS

Agarwal, J.C. and Gupta, C.D. (2005). *Towards Learning without Burden and Quality of Education- An Evaluation*. New Delhi: Shipra Publications.

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Rao, S. (2002). *Teaching of Commerce*. New Delhi: Anmol Prakashan.

Rekha, R. (2014). *Methodology of teaching commerce*. University of Delhi, India Email:

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Singh, R.P. (2005). *Teaching of Commerce*, Meerut: Surya Publication.

5.10 ANSWERS TO CHECK YOUR PROGRESS

Answers to Check Your Progress-1

- (i) outside classroom

- (ii) (a) Field trip helps students to use their sense of observation; (b) It helps students to relate what is taught in the class reality; (c) It aids the development of enquiring mind among them and (d) It will also help in retention of knowledge for longer period.
- (iii) (a) It is time consuming and (b) It can be dangerous if not properly planned.
- (iv) career development and social skills development later in life.

Answers to Check Your Progress-2

- (i) commercial topics, trade periodicals and government publications.
- (ii) successful business icons, their ideas, and way of working, their goals, their growth and achievement are to be displayed.
- (iii) The Narrative Charts; The Tabulation Chart; The Cause and Effect Chart; The Chain Chart and The Evolution Chart.

TECHNIQUES OF TEACHING IN COMMERCE

STRUCTURE

- 6.1 Introduction
- 6.2 Objectives
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 - 6.5.3.3 Post-active/Evaluation Phase
 - 6.5.4 Merits of Problem Solving Method
 - 6.5.5 Limitations of Problem Solving Method
- 6.6 Inductive and Deductive Method of Teaching
 - 6.6.1 Inductive Method of Teaching
 - 6.6.1.1 Steps of Inductive Method
 - 6.6.1.2 Advantages of Inductive Method
 - 6.6.1.3 Disadvantages of Inductive Method
 - 6.6.2 Deductive Method of Teaching
 - 6.6.2.1 Advantages of Deductive Method
 - 6.6.2.2 Disadvantages of Deductive Method

6.6.3 Combination of Deductive and Inductive Method

6.7 Market Studies

6.8 Let Us Sum Up

6.9 Lesson End Exercise

6.10 Suggested Further Readings

6.11 Answers to Check Your Progress

6.1 INTRODUCTION

Being an effective teacher is a challenge because every student is unique, however, by using a combination of teaching strategies you can address students' varying learning styles and academic capabilities as well as make your classroom a dynamic and motivational environment for students.

The classroom is a dynamic environment, bringing together students from different backgrounds with various abilities and personalities. Being an effective teacher therefore requires the implementation of creative and innovative teaching strategies in order to meet students' individual needs. Whether teaching to two months or twenty years, it can be difficult to know which teaching strategies will work best with our students. As a teacher there is no 'one size fits all' solution, so range of effective teaching strategies can use to inspire classroom practice. Visualization, Cooperative learning, Inquiry-based instruction, Differentiation, Technology in the classroom, Behaviour management and Professional development were generally used in education for effective teaching. Through visualization, we can bring dull academic concepts to life with visual and practical learning experiences. Examples include using the interactive whiteboard to display photos, audio clips and videos, as well as encouraging students to get out of their seats with classroom experiments and local field trips. Cooperative learning encourages students of mixed abilities to work together by promoting small group or whole class activities. Through verbally expressing their ideas and responding to others students will develop their self-confidence, as well as enhance their communication and critical thinking skills which are vital throughout life. Solving

mathematical puzzles, conducting scientific experiments and acting out short drama sketches are just a few examples of how cooperative learning can be incorporated into classroom lessons. Inquiry-based instruction poses thought-provoking questions which inspire your students to think for themselves and become more independent learners. Encouraging students to ask questions and investigate their own ideas helps improve their problem-solving skills as well as gain a deeper understanding of academic concepts. Both of which are important life skills. Inquiries can be science or math-based such as ‘why does my shadow change size?’ or ‘is the sum of two odd numbers always an even number?’. Differentiation helps to differentiate your teaching by allocating tasks based on students’ abilities, to ensure no one gets left behind. Assigning classroom activities according to students’ unique learning needs means individuals with higher academic capabilities are stretched and those who are struggling get the appropriate support. This can involve handing out worksheets that vary in complexity to different groups of students, or setting up a range of work stations around the classroom which contain an assortment of tasks for students to choose from. Incorporating technology into teaching is a great way to actively engage students, especially as digital media surrounds young people in the 21st century. Interactive whiteboards or mobile devices can be used to display images and videos, which help students, visualize new academic concepts. Learning can become more interactive when technology is used as students can physically engage during lessons as well as instantly research their ideas, which develops autonomy. Mobile devices, such as iPads or tablets, can be used in the classroom for students to record results, take photos/videos or simply as a behaviour management technique. Plus, incorporating educational programmes such as Quizalize into lesson plans is also a great way to make formative assessments fun and engaging. Implementing an effective behaviour management strategy is crucial to gain students respect and ensure students have an equal chance of reaching their full potential. Noisy, disruptive classrooms do not encourage a productive learning environment, therefore developing an atmosphere of mutual respect through a combination of discipline and reward can be beneficial for both teacher and students. Examples include fun and interactive reward charts for younger students, where individuals move up or down based on behaviour with the top student receiving a prize at the end of the week. ‘Golden time’ can also work for students of all ages, with a choice of various activities such as games or no homework in reward for their hard work. Engaging in regular professional development programmes is a great way to enhance teaching and learning in classroom. With educational policies

constantly changing it is extremely useful to attend events where you can gain inspiration from other teachers and academics.

Teaching of commerce involves effective organization of learning activities to students. The organization is not mere presentation of text book material. The learning activities must be organized in such a way that it will give scope for estimating the extent of realization of objectives. This chapter deals with the various techniques of teaching namely lecture-cum demonstration method, project method, problem-solving method, inductive deductive method and market studies.

6.2 OBJECTIVES

After going through this lesson, you shall be able to:

- explain the lecture method along with its principles, advantages and disadvantages.
- state how to make lecture more effective,
- discuss demonstration method with its advantages, disadvantages and its format,
- explain characteristics, steps, advantages and disadvantages of Lecture-Cum-Demonstration method of teaching,
- describe advantages, disadvantages and steps of Project method,
- give details about objectives, tips, procedural steps, merits and limitation of problem solving method,
- explain steps, advantages, disadvantages of inductive and deductive method of teaching, and
- elucidate market studies as method of teaching in commerce.

6.3 TECHNIQUE OF LECTURE-CUM-DEMONSTRATION METHOD

Lecture-cum-Demonstration method is a combination of two methods that is 'Lecture' and 'Demonstration' method. For better understanding of Lecture-cum-Demonstration method, we have to understand these two methods separately.

6.3.1 Lecture Method

Lecture method is the verbal one-way presentation of Ideas, concepts, generalizations and facts. When using lecture method, the teacher does most of the activities in form of talking while the students are either passive listeners or slightly involved. Lecture method is conventional in institutions of higher learning where a professor stands up before the class and reads his prepared notes for about the hour, hardly giving room to the usual students-teacher flow of communication during the lecture period. For effectiveness, the lecture must be formally organized and supported by other learning media such as visual aids, flip charts and chalk board.

Lecture method can be considered as the oldest teaching method. It is based on the philosophy of idealism. Lecture is generally described as a teacher centered teaching method involving one way communication mostly by way of verbal exposition. In the field of any theory subject, it has great significance. Nowadays in colleges and higher education institutions most of the teachers are using lecture method. However, all lectures are not effective and interesting and a number of drawbacks have been pointed out by educators. But lecture continues to be one of the common methods of teaching as it has certain conveniences. The student teacher ratio can be large, which in turn help to reduce financial commitment of an institution. It is a flexible method as teachers can adopt themselves to the subject matter, achievement level of student, time limit, etc. A competent teacher can make the lecture meaningful and interesting by posing problematic situations and by using interesting and illustrative mediators. It is advisable to combine lecture method with other methods in other to make the lecture less boring. Lecture method with brief explanation is usually used in teaching some aspects of commerce such as “History of commerce in India”, “career opportunities in the area of commerce” and other related topics in the commerce curriculum, that involve a lot of literature. In actual practice lecture method per se is not very suitable for post-primary institutions. It is better used in higher institution. However secondary school teachers can resort to using lecture method for the following reasons:

- (i) When they have insufficient time to deliver their lessons.
- (ii) When combined with chalkboard Illustrations.
- (iii) The lecture method is useful when presenting facts, figures, concepts and theory.

- (iv) If the teacher's aim is to introduce a new topic or unit.
- (v) and when developing students' interest in a topic.

6.3.1.1 Psychological Principles Leading to Effective Lecturing

- (i) The delivering of lecture should be in an active mode.
- (ii) A lecturer should think from point of view the students. It should not be a mere exposition of his subject mastery.
- (iii) The lecturer should present the subject matter in a systematic way. All the concepts should be sequentially arranged and clearly explained.
- (iv) The lecturer should use the language which is easily understandable to each student. It should be simple, unambiguous and lucid.
- (v) The lecturer should sustain interest and attention by posing challenging situations and by interspersing the lecture with mediators like interesting examples, anecdotes, etc.

6.3.1.2 How to Prepare and Deliver More Effective Lectures

- (i) Don't be so rigid with the plan of the talk. Changes should be made according to the nature of the learners. For example, in a higher secondary class, the learners generally found to experience tension. This tension should be released and a receptive mood created before starting the actual talk.
- (ii) It is probably better to outline the lecture notes than to write everything to be exposed in full. Using a properly prepared outline for exposition will avoid the tendency to read out the lecture, which might lead to monotony.
- (iii) Distribute among the audience appropriate reading materials prior to the presentation. This encourages pupils to think in advance about the content to be covered.
- (iv) A good beginning is an important factor for an effective lecture. A lecturer must capture the learner's attention. Make use of stimulating audio visuals, demonstrations and provocative questions. Pose leading questions or problems at the beginning of the lecture to provide direction for the learners as to what is most important. This would also help to stimulate interest.

- (v) As already indicated intersperse the exposition with catching mediators.
- (vi) The appropriate use of humour is a wonderful means of stimulating attention and imagination.

6.3.1.3 Tips for Delivering a Good Lecture

There are several strategies to increase the impact of a lecture. Some of them are listed below:

- (i) Set a learning climate.
- (ii) Limit the quantum of information according to the time allotted.
- (iii) Speaking should be clear, loud enough and maintain appropriate pace.
- (iv) Use conversational rather than, pedantic, authoritative tone.
- (v) Look at the learner, while lecturing.
- (vi) Ensure gestures and other body movements, but don't overdo it.
- (vii) Complement the lecture with other instructional methods.

6.3.1.4 Advantages of Lecture Method

- (i) It is easy for the teacher to prepare and execute.
- (ii) Large number of students can be handled at the same time.
- (iii) The teacher can express his ideas very effectively by his tone, gestures and facial expressions.
- (iv) It provides better opportunity for clarification of important things.
- (v) It can be organized in accordance with the principles of educational psychology.
- (vi) This method is more helpful in introducing a new topic.
- (vii) Lecture method develops in the learners habits of close attention.
- (viii) It provides opportunities of correlating events and subjects.
- (ix) Lecture method has high ensuring and motivating values.

- (x) It is an effective method for creating interest and appreciation.
- (xi) It supplements and enriches information in students' textbooks.
- (xii) The teacher has complete control over the choice of factual knowledge and information the students learn. So teacher can present exactly what he wants in the way he wants it.
- (xiii) In the case where the teacher has to cover everything specified in the syllabus before the examination, lecture method is effective.

6.3.1.5 Disadvantages of the Lecture Method

- (i) Lengthy lectures can easily lead to boredom.
- (ii) It does not encourage pupil activity unless the lecturer is extremely competent.
- (iii) The students are generally passive recipients.
- (iv) The average student may not be able to fix up his attention to a lecture for a long duration. During this span his attention may be diverted.
- (v) In this method more content may be covered by a teacher, but less learning may take place.
- (vi) A lecture may become monotonous to the pupils after a while. Very few teachers can sustain interest up-to the end.
- (vii) There is no way to know the reactions of the pupils, because in most cases there is no interaction between the teacher and the pupil.

6.3.1.6 How to Evaluate a Lecture: The evaluation can be either formative or summative. The evaluator can collect data with the help of an evaluation tool. The evaluation tool may contain the following factors.

- (i) The speaker's subject competence.
- (ii) The language used.
- (iii) The degree of transparency of presentation.
- (iv) Extent of realization of objectives.

- (v) Use of audio visual aids and other mediators.
- (vi) Attention of the pupils.
- (vii) Extent of stimulus variation.
- (viii) Appropriate of the presentation to the content.

6.3.2 Demonstration Method

Demonstration is useful instructional method which is employed in teaching commerce. Demonstration means showing how something is to be done or not be done. Through demonstration a teacher presents a skill before the students. The student's role is that of the observer and recorder of information and skills. In a higher secondary class, the commerce teacher can adopt this method related to the development of skill is being taught. It is most effective when followed by a corresponding student activity.

Demonstration Method of teaching involves showing the student the response pattern that is desired. It is a method whereby the teacher will be demonstrating what he is teaching and the students will be imitating his actions. Demonstration has been described as an audio-visual explanation emphasizing the importance of a product, process or an idea. It is basically an activity which combines telling, showing and doing for the benefit of an audience. Be it a person or group of persons, in teaching, demonstration is generally used as a method but it is also frequently used in relation to other approaches to teaching as a special technique. Whether as a method or as a technique, the demonstration can be very effective in the hand of a skillful teacher and in appropriate situation.

This method of teaching can be employed in teaching skilled subjects like practical aspect of commerce such as banking aspect of commerce- like writing cheques with different crossing etc. The teacher will demonstrate how to write both open and crossed cheques. The teacher can where possible invite a post master or banker to give a talk on how to open a savings bank accounts; make money transfer or use automated teller machines (ATM) and demonstrate to students how to do it themselves. .

According to Daugherty (1974), showing the students how to perform an activity as well as telling them about the activity stimulate both visual and auditory responses and therefore accelerate the learning process. This method does not always require extensive equipment or laboratory techniques. It does not have to be time consuming. The teacher

can also ask the students in groups or individually to devise diagrammed illustrations of how raw materials find their ways to the consumers' tables as finished goods. The illustration could be on cardboard paper. Some of the students or group leaders could be asked to explain their illustrations to the class. Their classmates may challenge the accuracy of the explanations and earn points for themselves.

6.3.2.1 Advantages of Demonstration Method

Demonstration Method

- (i) trains students to be good observers.
- (ii) stimulates thinking and formation of concepts and memorization.
- (iii) has high interest value since it often involves the use of it equipment which may be new to the students.
- (iv) is economical in terms of time and money.
- (v) is very effective as an introduction to the skill learning.

6.3.2.2 Disadvantages of Demonstration Method

- (i) It provides less opportunity for students to discover things or to solve problem on their own.
- (ii) Active participation is reduced as students mainly act as the observers.
- (iii) When classes are big, there will be problems of audibility and visibility
- (iv) It is difficult to evaluate thoroughly the students understanding during a demonstration.

6.3.2.3 The format for a Demonstration Lesson

- (i) Listening the concepts and principles to be learned.
- (ii) Devising activities to discover.
- (iii) Writing suggested questions to help students "discover".
- (iv) Evaluating how well students achieve objectives and the science processes.

6.3.3 Lecture-Cum-Demonstration Method

Lecture-cum-demonstration method includes the merits of the lecture as well as demonstration method. It attempts to filter out the disadvantages of both. Demonstration means 'to show'. In Lecture method teacher just tells but in demonstration method teacher shows and illustrates certain fundamental phenomena.

6.3.3.1 Characteristics of Good Lecture-Cum-Demonstration

- (i) Visibility
- (ii) One major idea at a time
- (iii) Clear cut
- (iv) Convincing
- (v) Rehearsal
- (vi) Supplemented with other teaching aids
- (vii) Asking relevant questions
- (viii) Neat, clean and tidiness
- (ix) Simple and speedy
- (x) To write observation
- (xi) Teacher to act as performer
- (xii) Sufficient time

6.3.3.2 Steps in Lecture-Cum-Demonstration

1. Planning and Presentation: While planning a demonstration the following points should be kept in mind.

- Subject matter
- Lesson planning
- Rehearsal of experiment
- Collection and arrangement of apparatus

2. **Introduction of lesson:** The lesson may be introduced on the following basis:

- Student's personal experience
- Student's environment
- Telling story
- A simple and interesting experiment

3. **Presentation of the subject matter**

- The teacher must study the subject matter on broad basis taking into consideration the interest and experience of students.
- While demonstration is going on, question should also be asked which help the students to understand the principles.
- The teacher should try to illustrate the facts and principles.
- Language used by teacher should be simple and clear.

4. **Experimentation**

- Demonstration should be properly spaced and striking, clear and convincing
- The demonstration table should have only apparatus.
- The experiment should be simple and speedy
- All the apparatus should not be displayed at once

5. **Blackboard work:**

A big blackboard behind the demonstration table is necessary in order to summarize the principles and other matters of demonstration and also to draw necessary diagrams and sketches.

6.3.3.3 Advantages of Lecture-Cum-Demonstration Method

- (i) **Economical:** This method is economical as it helps in economizing resources.
- (ii) **Psychological Method:** Demonstration method psychological as the students are shown concrete things.

- (iii) This method is especially useful where
 - The apparatus is expensive
 - The experiment involves some danger
 - The apparatus is sensitive to break
 - The experiment involves some difficult and complex operation
- (iv) Student participation
- (v) Save time and effort
- (vi) Helpful to promote useful discussion
- (vii) More efficient method
- (viii) Activity method
- (ix) Useful for all types of students
- (x) Helpful for teacher

6.3.3.4 Disadvantages of Lecture-Cum-Demonstration Method

- (i) **Ignore maxim of education:** The maxim of education, 'Learning by Doing' and the principles of psychology of learning has no place in this method.
- (ii) **Visibility:** Visibility is main problem for a teacher because all the students may not be able to see the details and results of a demonstration
- (iii) **Speed of experiment:** Either too fast or too slow speed of demonstration sometimes may create trouble
- (iv) **Ignore individual difference:** This method totally ignores the main principle of psychology.
- (v) **Hinder progress:** This method somehow hinder the development of laboratory skills among the students.
- (vi) Not useful for developing scientific attitude.

Check Your Progress- 1

Note: a) Answer the questions given below.

b) Compare your answers with those given at the end of this lesson.

- (i) is the verbal one-way presentation of Ideas, concepts, generalizations and facts.
- (ii) can be considered as the oldest teaching method.
- (iii) Demonstration means
- (iv) method of teaching involves showing the student the response pattern that is desired.
- (v) Abehind the demonstration table is necessary.

6.4 PROJECT METHOD

This method is the direct outcome of John Dewey’s pragmatic philosophy. It is based on the idea that true knowledge is acquired not merely by reading books nor by attending lectures but by purposive planning and doing by the learners themselves for the purpose of handling problematic life situation. ‘Learning by doing’, ‘Learning by living’, ‘Problem orientation’ and ‘working in natural settings’ are the four cardinal principles of this method.

Project according to Oxford Advanced Learner’s Dictionary (2015) is a planned piece of work that is designed to find information about something, to produce something new or to improve something: a research project, building project etc. It is also a piece of work involving careful study of a subject over a period of time, done by school or college students.

In project method, a problem is selected by the teacher, the student or both of them. The task is further divided into sub themes. The students are encouraged to work on their own by investigating, collecting specimens and analyzing them. At the end, the reports on the project are collected and discussed with the whole class. The teacher acts as a guidance facilitating students, learning.

Commerce teacher can use project method in teaching some practical topics such as transportation, communication, public relations, customer service and so on. When teaching public relation medium, the students can be asked to attend trade fairs and exhibitions and collect information about companies that attended the trade fair.

6.4.1 Advantages of Project Method

- (i) Project activities are child centered and this takes of the child interest during teaching process.
- (ii) The students learn better because their interests involved form the basis of self motivation.
- (iii) It makes possible for inter-disciplinary studies to take place because a project may contain materials from more than one subject area. It always results in students gaining socially and intellectually. This is because they have opportunities to discuss in a very relaxed mood without their teachers intimidating, presence.

6.4.2 Disadvantages of Project Method

- (i) It is time consuming,
- (ii) It is very easy to deviate from the objectives of the lesson.
- (iii) Project is very difficult to plan and execute especially in large and overcrowded class.

6.4.3 Steps in the Project method

- (i) Providing a situation
- (ii) Choosing and purposing
- (iii) Planning
- (iv) Executing the project
- (v) Recording

6.5 PROBLEM SOLVING METHOD

In a problem solving method, children learn by working on problems. This enables the students to learn new knowledge by facing the problems to be solved. The students are expected to observe, understand, analyze, interpret find solutions, and perform applications that lead to a holistic understanding of the concept. This method develops scientific process skills. This method helps in developing brainstorming approach to learning concepts.

The students thinking on problem and their understanding of the science behind it is based on common sense. It does not start from textual knowledge. Rather it proceeds from experiencing to gradually forming concepts through books at later stage. It is a process from practice to theory not vice versa. Knowledge here is not a goal but a natural outcome of working on tasks. Students live in the real world and like to deal with concrete things where they can touch, feel manipulate things then the method is useful in igniting the process of science learning.

A problem is a task for which Problem-solving may be a purely mental difficulty or it may be physical and involve manipulation of data, the person confronting it wants or needs to find a solution because the person has no readily available procedure for finding the solution. The person must make an attempt to find a solution. Problem solving is the act of defining a problem; determining the cause of the problem; identifying, prioritizing and selecting alternatives for a solution; and implementing a solution.

Problem-solving method aims at presenting the knowledge to be learnt in the form of a problem. It begins with a problematic situation and consists of continuous, meaningful, well-integrated activity. The problems are test to the students in a natural way and it is ensured that the students are genuinely interested to solve them.

Problem-solving may be a purely mental difficulty or it may be physical and involve manipulation of data. Problem-solving is the ability to identify and solve problems by applying appropriate skills systematically.

Problem-solving is a process-an ongoing activity in which we take what we know to discover what we don't know. It involves overcoming obstacles by generating hypotheses, testing those predictions, and arriving at satisfactory solutions.

6.5.1 Objectives of Problem-Solving Method

The specific objectives of problem solving in commerce are:

- (i) Willingness to try problems and improve their perseverance when solving problems.
- (ii) Improve pupils' self-concepts with respect to the abilities to solve problems.
- (iii) Make pupils aware of the problem-solving strategies.
- (iv) Make pupils aware of the value of approaching problems in a systematic manner.
- (v) Make pupils aware that many problems can be solved in more than one way.
- (vi) Improve pupils' abilities to select appropriate solution strategies.
- (vii) Improve pupils' abilities to implement solution strategies accurately.
- (viii) Improve pupils' abilities to get more correct answers to problems
- (ix) The appreciation of the existence of a problems and a desire to solve it
- (x) The accumulation of the facts and data which are pertinent to the problem.
- (xi) Logical interpretation of the data supported by adequate valid experience.

6.5.2 Tips for Effective Use of Problem Solving Method

- (i) **Ask questions and make suggestions:** Ask students to predict “what would happen if...” or explain why something happened. This will help them to develop analytical and deductive thinking skills. Do this by providing positive reinforcement to let students know when they have mastered a new concept or skill.
- (ii) **Don't fear group work:** Students can frequently help each other, and talking about a problem helps them think more critically about the steps needed to solve the problem.
- (iii) **Help students understand the problem.** In order to solve problems, students need to define the end goal. If you succeed at helping students answer the questions “what?” and “why?”, finding the answer to “how?” will be easier. Have

students identify specific problems, difficulties, or confusions. Don't waste time working through problems that students already understand?

- (iv) **If students are unable to articulate their concerns, determine where they are having trouble.** Identify the specific concepts or principles associated with the problem. Make students articulate their problem solving process. In a one-on-one tutoring session, ask the student to work his/her problem out loud. This slows down the thinking process, making it more accurate and allowing you to access understanding.
- (v) **Link errors to misconceptions.** Use errors as evidence of misconceptions, not carelessness or random guessing. Make an effort to isolate the misconception and correct it, then teach students to do this by themselves. We can all learn from mistakes. Try to communicate that the process is more important than the answer so that the student learns that it is OK to not have an instant solution.
- (vi) **Model the problem solving process rather than just giving students the answer.** As you work through the problem, consider how a novice might struggle with the concepts and make your thinking clear. Provide only minimal assistance and only when needed to overcome obstacles.
- (vii) **Take enough time.** Budget enough time for: understanding the problem and defining the goal, individually and as a class; dealing with questions from you and your students; making, finding, and fixing mistakes; and solving entire problems in a single session.
- (viii) **Teach within a specific context.** Teach problem-solving skills in the context in which they will be used. Use real-life problems in explanations, examples, and exams. Do not teach problem solving as an independent, abstract skill.
- (ix) **Work as a facilitator.** Teacher must keep in mind that if in a child-directed learning not teacher-directed. He must be alert and active to arouse interest among students. Must provide democratic atmosphere. Teacher must provide situation for all students to come formed and contribute towards the success of the activity.

6.5.3 Procedural Steps of Problem Solving Method

Problem-based learning is a method of educating adult learners that combines theoretical knowledge with practical activities. The process engages participants in considering complex and challenging issues and encourages them towards finding an appropriate solution. The expectation is that participants will have the motivation to learn because the problem scenarios are based on real-life situations found in the workplace. The expectation is that participants will have the motivation to learn because the problem scenarios are based on real-life situations.

The procedural steps can be divided in three phases these are Pre-active/Planning phase; Active/Execution phase; Post-active/Evaluation phase.

6.5.3.1 The Pre-active/Planning Phase includes:

Defining the problem:

- (i) **The system:** Have students identify the system under study by interpreting the information provided in the problem statement. Drawing a diagram is a great way to do this.
- (ii) **Known(s) and concepts:** List what is known about the problem, and identify the knowledge needed to understand (and eventually) solve it.
- (iii) **Unknown(s):** Identifying the unknown(s) becomes simpler. One unknown is generally the answer to the problem, but there may be other unknowns. Be sure that students understand what they are expected to find.
- (iv) **Units and symbols:** Select, interpret, and use units and symbols. Emphasize the use of units whenever applicable. Develop a habit of using appropriate units and symbols yourself at all times.
- (v) **Constraints:** Teach students to look for the words only, must, neglect, or assume to help identify the constraints.

6.5.3.2 Active/Execution Phase

The following are the general procedural steps in Execution phase:

- (i) **Selection of the Problem and Presentation of the Problem:** A number of problems are confronted by the students in the class or outside. They are made to

select a problem as per their capacity and interest. Each student is made to feel responsible for presenting the problem in front of the teacher and class as per his insight. The students are free to give their suggestions on the problem. Diagnose the situation so that your focus is on the problem.

- (ii) **Generation of alternative solutions:** All the facts related to problem are collected either by a student or group. As a number of facts will be collected, it will help the students to keep the most pertinent facts and discard rest.
- (iii) **Generate alternative solutions:** Postpone the selection of one solution until several alternatives have been proposed. Having a standard with which to compare the characteristics of the final solution is not the same as defining the desired outcome. Considering multiple alternatives can significantly enhance the value of final solution. Many alternative solutions should be generated before evaluating any of them. A common mistake in problem solving is that alternatives are evaluated as they are proposed, so the first desired solution is chosen, even if it's not the best fit.
- (iv) **Evaluate and select an alternative:** Skilled problem solvers use a series of considerations when selecting the best alternative. They consider the extent to which:
 - A particular alternative will solve the problem without causing other unanticipated problems.
 - All the individuals involved will accept the alternative.
 - Implementation of the alternative is likely.
 - The alternative fits within the organizational constraints.
- (v) **Implement and follow up on the solution:** This is most important phase as a proper outline at this stage will lead to purposeful activity. The teacher will guide students to draw exact plan and follow it properly so that the solution to problem is reached. It is more or less like planning stage, where in a clear indication of outline leads to better result. Feedback channels must be built into the implementation of the solution, to produce continuous monitoring and testing of

actual events against expectations. Problem solving, and the techniques used to derive elucidation, can only be effective in an organization if the solution remains in place and is updated to respond to future changes.

6.5.3.3 Post-active/ Evaluation Phase

The following step comes under this phase:

- (i) **Reaching the Inferences and conclusions:** The tentative solutions which are offered by students are properly noted down. A good number of arrangements, discussion, brainstorming results in reaching a satisfactory conclusion. The teacher has to be very careful at this stage as, it may lead to wrong conclusions. The discussion must be healthy and atmosphere must be conducive in the classroom while reaching at this stage. The students review the entire process and find out each and every stage where in they have made any mistakes. Self-criticism and Self-realization will give training of self confidence. The teacher must see that objective have been achieved.
- (ii) **Writing the Report:** A complete report should be written by the students. This will include, how they planned, what discussions were held, how duties were assigned, how satisfactory conclusion was reached etc. It's vitally important that students have multiple opportunities to assess their own problem-solving skills and the solutions they generate from using those skills. Frequently, students are overly dependent upon teachers to evaluate their performance in the classroom. The process of self-assessment is not easy, however. It involves risk-taking, self-assurance, and a certain level of independence. But it can be effectively promoted by asking students question such as "How do you feel about your progress so far?" "Are you satisfied with the results you obtained?" and "Why do you believe this is an appropriate response to the problem?"

6.5.4 Merits of Problem Solving Method

- (i) **Knowledge Retention:** Problem-based learning is practical and it requires participants to use their reasoning and problem-solving skills to resolve the scenarios they are presented with. As a result, the learning process is more effective because participants are not trying to memorize large volumes of information.

- (ii) **Develops Competencies:** This method follows the principle of learning by doing. Problem-based learning is a collaborative method that fosters teamwork, diversity and mutual respect, which are invaluable competencies in the workplace. Participants also develop their abilities to think strategically.
- (iii) **Context Specific:** In schools the problem-based learning may be limited in its effectiveness because it is highly context specific. During the learning process, participants are given a specific problem that is based on a foreseeable work scenario. They learn to use old facts in new references.
- (iv) **Method is scientific in nature:** Develops good study habits and reasoning power. Helps to improve and apply knowledge and experiences. It stimulates thinking of the child. Also develops desirable study habits in the students.
- (v) **Develops qualities of initiative and self-dependence in the students-** Students learn virtues such as patience, cooperation, and self-confidence. Learning becomes more interesting and purposeful. Develops qualities of initiative and self-dependence in the students, as they have to face similar problematic situations in real life too. Shared responsibility makes individuals more willing to take risks. The discussion of different points of view also helps the group to be more realistic in assessing the risks associated with particular courses of action.
- (vi) **Reduced bias-** The shared responsibility of a group in arriving at decisions can encourage individuals to explore seemingly unrealistic ideas and to challenge accepted ways of doing things. Individual biases and prejudices can be challenged by the group, forcing the individual to recognize them. Group pressure can also encourage individuals to accept that change is needed.
- (vii) **Better solutions-** Groups of individuals can bring a broad range of ideas, knowledge and skills to bear on a problem. This creates a stimulating interaction of diverse ideas which results in a wider range and better quality of solutions. They become capable to generalize. Students learn to find solution to their problem. When people who are affected by a problem or who will be involved in implementation are involved in finding a solution, they will know how and why that particular solution was chosen. Also, people with knowledge relevant to the problem can communicate that knowledge directly if they participate in solving the problem.

6.5.5 Limitations of the Problem Solving Method

- (i) **Difficult to teach all topics of curriculum-** Difficult to organise e- contents of syllabus according to this method. All topics and areas cannot be covered by this method. There is a lack of suitable books and references for the students. This is not suitable for all level students. Method does not suit students of lower classes. Mental activity dominates this method. Hence there is neglect of physical and practical experiences.
- (ii) **Can encourage dirty competition-** Most people working in a group unconsciously perceive the situation as competitive. This generates behaviour which is destructive and drains the creative energy of the group. The natural reaction is to regain self-esteem, often by trying to sabotage the ideas of those who disagreed with us. Instead of looking for ways to improve on their ideas we choose to destroy them. These types of behaviour create an atmosphere which is incompatible with effective problem solving.
- (iii) **Possible lack of effective direction-** Sometimes there is no effective teacher to give direction to the discussion, with the result that it wanders aimlessly. There is short of talented teachers to practice this method. There is always a doubt of drawing wrong conclusions.
- (iv) **Time and resource constraints-** Problem solving is a relatively slow process. It is not economical from time and money point of view.

Check Your Progress- 2

Note: a) Answer the questions given below.

b) Compare your answers with those given at the end of this lesson.

- (i) In project method, ais selected by the teacher, the student or both of them.
- (ii) Project activities are and this takes of the child interest during teaching process.
- (iii) In a problem solving method, children learn by
- (iv) The procedural steps of Problem solving method can be divided in three phases

<p>these are.....</p> <p>(v) Problem-based learning is practical and it requires participants to use their to resolve the scenarios they are presented with.</p>
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6.6 INDUCTIVE AND DEDUCTIVE METHOD OF TEACHING

6.6.1 Inductive Method of Teaching

The inductive method makes the students arrive at general conclusions or establish Laws through observation of particular and concrete them rules discovered are more likely to be grasped well then rules explained therefore inductive method is more effective in learning this approach is mainly developmental it is easy to understand book keeping principles because the doubts about how and why of a formula are clarified in the very beginning it gives an opportunity of active participation for the students in the discovery of a formula. This reduces the dependence on memorization. It is the best method to introduce the new rule. For example the commerce teacher can teach the way of preparing trial balance under this method. Instead of explain the rules for trial balance the teacher can ask the students to prepare ledger and find out the balances. If it is a debit balance he can ask them to put it in the debit side. If it is credit balance ask them to put it in the credit side. Now the trial balance get tally. He can give two or three more problems of this type. This will lead the students come to a conclusion or formulate rules for preparing of this type. This will lead the students come to a conclusion or formulate rules for preparing trial balance. If the students are not able to come any conclusion the teacher can give some clue to find the rules. Here the students can find out the rules for preparing trial balance by themselves. The teacher is not teaching or explaining any rule here. They never forget the rule. If they discover, therefore it is the best method to introduce the rule in the class.

Inductive method is the direct method and deductive method is the indirect method. This is also called indirect instruction. The inquiry method or problem solving method and project method fall under indirect, guided and exploratory approach to instruction. They begin with questions, problems and details and end up with answers, generalization, conclusions. Therefore, they will fall under the inductive method of teaching, the opposite of the deductive method. In the inductive method, instead of the teachers giving the rule in adding similar fractions at the outset, she/he will give them at least five examples of added

similar fractions at one time. Ask the pupils to study the examples then ask them to explain how she/he arrived at the sums. From there, she/he will ask the pupils to state the rule in adding fractions.

6.6.1.1 Steps of Inductive Method

- (i) **Presentation of Examples:** In this step teacher presents many examples of same type and solutions of those specific examples are obtained with the help of the student.
- (ii) **Observation:** After getting the solution, the students observe these and try to reach to some conclusion.
- (iii) **Generalization:** After observation the examples presented, the teacher and children decide some common formulae, principle or law by logical mutual discussion.
- (iv) **Testing and verification:** After deciding some common formula, principle or law, children test and verify the law with the help of other examples.

6.6.1.2 Advantages of Inductive Method

- (i) The learners are more engaged in the teaching-learning process. With our facilitating skills, the learners formulate the generalization or rule.
- (ii) Learning becomes more interesting at the outset because we begin with the experiences of our students. We begin with what they know.
- (iii) It helps the development of our learners' higher-order- thinking-skills (HOTS). To see patterns and analyze the same in order to arrive at .generalization requires analytical thinking.
- (iv) Knowledge is self-acquired and is soon transformed into 'wisdom'. General truths in order to be learned must be earned a famous saying and the inductive method is true to it.
- (v) It promotes mental activity on the part of the pupils and makes them active participants in the learning teaching process.

- (vi) It makes the lesson interesting by providing challenging situations to the students.
- (vii) The method affords opportunities to the students to be self-dependent and develops self-confidence.
- (viii) The students' curiosity is well-kept up till the end when generalizations are arrived at.
- (ix) This method is very natural because the knowledge in possession of man has been acquired in this way from the practical side of experience.
- (x) The child learns how to tackle problems. He not only acquires more facts but also learns the way of acquiring facts which prove him useful for practical life.
- (xi) The method is based on sound psychological principles. Learning by doing is the basis of this method.
- (xii) Pupils are trained to think and work out problems for themselves.
- (xiii) Retention of facts is enhanced.
- (xiv) It develops logical thinking and creativity.
- (xv) It encourages investigation.
- (xvi) It trains pupils to tackle real problems.

6.6.1.3 Disadvantages of Inductive Method

- (i) It requires more time and so less subject matter will be covered. We need much time to lead our students to the formulation of generalizations.
- (ii) It demands expert facilitating skills on the part of the teacher. We've got to ask the right questions, organize answers and lead the learners to the generalizations or conclusion
- (iii) It is time consuming.
- (iv) Pupils with low I.Q may not see the connection between the example given and the rule or principle formed.

- (v) Unless the teacher is skilled in questioning the objective may not be achieved.
- (vi) There is every possibility that the students may draw conclusion very hastily and these may be based on insufficient data and, therefore, will be wrong.
- (vii) The method is very slow and lengthy.
- (viii) It is not very helpful in the case of small children.
- (ix) It is not suitable in the teaching of subjects in which there is more stress on the teaching of facts. It is not possible for us to experience facts in history and in so many other subjects.
- (x) The inductive method is not a complete method in itself. It has been said, "Induction does not prove but only provides the material to prove, it only discovers." When we have discovered a principle, we have to apply it again on some concrete instances for its verification. Therefore, we need deductive method to ensure the value of inductive process.

6.6.2 Deductive Method of Teaching

The deductive method is the opposite of the inductive approach. In this method-learner proceeds from general to particular, abstract to concrete and formula to examples. The pre-constructed formula or definition is told to the students and they are asked to solve or face the new situation with the help of that formula. Here the learner accepted that the formula or definition is a pre-established and well established truth. For example, the teacher can also teach the trial balance by way of this deductive method; instead of asking the students to prepare trail balance by way of inductive method that is first ledger then finding the nature of balance and the trail balance. The teacher can first explain the rule for preparing trail balance. That is all the assets, expenditure and losses come under the credit side of the trail balance. Then he can give a problem and ask them to prepare trail balance. Here the learner proceeds from general rule to solve a particular problem.

The deductive method begins with a generalization and subsequently all examples and specific situations to be given are supportive of this generalization. The deductive method is a process of starting with a generalization and arriving at a specific statement or conclusion namely: one which is not applicable to a class of objects, situations or phenomena.

We use generalization or rule or principle to arrive at a specific statement. In a broad sense, when the pupil thinks in a logical sequence and arrives at a specific item, he is deducting.

A deductive method is more teacher-centered approach. This means that the teacher gives the students a new concept, explains it, and then has the students practice using the concept; it is also called a deductive instruction. In this method, the teacher tells or shows directly what she/he wants to teach.

6.6.2.1 Advantages of Deductive Method

- (i) Wider scope of subject matter because the instruction is direct by stating at once the rules or the principles at the beginning of the class.
- (ii) Teacher does not have to worry about what questions to ask in order for learners to reach a generalization or conclusion.
- (iii) The teacher's work is simplified. He gives general principles and the students verify them.
- (iv) This method is very economical. It saves time and energy both of the students and the teachers. Many principles for the discovery of which mankind have taken a lot of pains can be told to the students easily.
- (v) It is very suitable for small children who cannot discover truths for themselves. They get ready-made material.

6.6.2.2 Disadvantages of Deductive Method

- (i) Knowledge is not self-acquired and, therefore, not assimilated properly.
- (ii) Passive learning with less involvement on the part of the learners.
- (iii) The learners do not take part in the formation of a conclusion or generalizations.
- (iv) The child is deprived of the pleasure of self-activity and self effort as ready-made formulae, principles and rules are given to him.
- (v) Learners' involvement will be drills or exercises that come after the explanation of the rule or principle.

- (vi) It encourages memorization of facts which are soon forgotten and, therefore, knowledge is rendered useless.
- (vii) This method is unnatural for the students who do not possess ability to appreciate abstract ideas in the absence of concrete examples.
- (viii) It fails to develop motivation and interest in the learning as the truths are not of much value to them.
- (ix) It fails to develop self-confidence and initiative in the students.
- (x) Lesson appears uninteresting at first.

6.6.3 Combination of Deductive and Inductive Method

The two approaches inductive and deductive aim at establishing the validity of the thought process. Induction is to be the forerunner or predecessor of deductive. The deductive will give a good follow up for the understanding obtained earlier by induction. The two approaches are such good partners that the shortcoming of the one is removed by the other. Deduction is a process particularly suitable for the final stage or revision stage and induction is most suitable for the beginning or initial stage, especially at the time of exploration of new fields. The modern teaching always starts with induction leads to deduction where the knowledge learnt is verified. There is no question of 'either' or 'both' are required.

6.7 MARKET STUDIES

Modern markets operate in a dynamic environment. Here a businessman always seeks information regarding the trends in the markets. In order to know the fluctuations in a market, he has to depend on market surveys. It refers to collection of data by interviewing a limited number of people selected from a large group. In this method, information is obtained by asking the questions to be selected respondents.

A commerce teacher can use the market survey as a method of teaching a complex concept or a process involving a variety of ideas. For example, a commerce teacher will have to help the pupils to develop deep understanding of the various aspects involved in the functioning of a market. Instead of presenting these ideas through theoretical exposition the pupils can be made to gather the ideas by conducting a market survey. This will make the information gathered practical oriented, functional, realistic and meaningful. The teacher

should take initiative in guiding the students in conducting the surveys. Here the maximum concrete to abstract is followed.

How to Conduct a Market Survey?

It is very significant on the part of a teacher to think about the stages of a market survey.

Stage 1: Identification of a complex problematic situation

In order to carry out the survey programme the teacher should discuss with the students an appropriate complex situation and convince them of the need for gathering information directly. It is better to divide the entire students of the class into different groups and assign specific tasks.

Stage 2: Planning the survey technique

After identifying the problem and specifying the tasks and objectives, the second step is to find out the best procedure for gathering information. Depending on the source of the information required tools should be selected.

Stage 3: Collection of data

After the determining the source of data the next step is the actual collection of data. Proper planning in terms of time schedule etc has to be done under the leadership of the teacher.

Stage 4: Analysis and interpretation of data

The data should be tabulated and classified. Here statistical techniques can be used for analyzing the data. Students can arrive at generalization and conclusions on the basis of the results of such analysis.

Stage 5: Preparing the survey report

Based on the survey, each group is responsible to prepare a report. The teacher should evaluate the report.

Check Your Progress- 3

Note: a) Answer the questions given below.

b) Compare your answers with those given at the end of this lesson.

- (i) The inductive method makes the students arrive at
- (ii) Inductive method is the best method to
- (iii) Inductive method is the method and deductive method is the method.
- (iv) The deductive method is theof the inductive approach.
- (v) A deductive method is more centered approach.
- (vi) There arestages in conducting market survey.

6.8 LET US SUM UP

Lecture-cum-demonstration method can prove to be one of the best methods for teaching science to High and Higher Secondary classes. The teacher should encourage the students to demonstrate the experiments to the class. Lecture-cum-demonstration includes the merits of the lecture as well as demonstration method. It attempts to filter out the disadvantages of both. Demonstration means ‘to show’. In Lecture method teacher just tells but in demonstration method teacher shows and illustrates certain fundamental phenomena. The Project method is an educational enterprise in which children solve a practical problem over a period of several days or weeks. It may involve building a rocket, designing a playground, or publishing a class newspaper. The goal of Problem solving approaches is to find mutually acceptable solutions to problems. Cognitive psychologists describe problem solving as a four stage process: Identifying the problem, generating alternative strategies, selecting and implementing a solution, and evaluating consequences. A Deductive approach involves the learners being given a general rule, which is then applied to specific language examples and honed through practice exercises. An Inductive approach involves the learners detecting, or noticing, patterns and working out a ‘rule’ for themselves before they practice the language. The lesson provides a brief account of the need for the teaching method and its characteristics. Different types of methods of teaching

are explained, like Lecture-Cum-Demonstration method, Project Method, Problem Solving Method, Inductive-Deductive and Method Market Studies method of teaching in commerce. Each method is well explained and helps teachers in improving teaching and learning process in commerce.

6.9 LESSON END EXERCISE

1. What you mean by lecture method of teaching. Also explain psychological principles leading to effective lecturing?
2. How to prepare and deliver more effective lectures? Point out some tips for delivering a good lecture?
3. How to evaluate a lecture? Highlight various advantages and disadvantages of the lecture method.
4. What is demonstration method of teaching? Explain various advantages and disadvantages of Demonstration Method.
5. What is lecture-cum-Demonstration method? What are various steps involved in lecture-cum-demonstration method of teaching?
6. What are the various advantages and disadvantages of lecture-cum-demonstration method of teaching?
7. Explain Project method of teaching. Enumerate various advantages and disadvantages and steps in the project method of teaching?
8. Explain problem solving method of teaching. Specify various tips for effective use of problem solving method.
9. Explain procedural steps, merits and demerits of problem solving method.
10. Explain inductive method of teaching. Also enlighten steps, advantages and disadvantages of inductive method of teaching.
11. Explain deductive method of teaching. Also enlighten steps, advantages and disadvantages of deductive method of teaching.
12. Explain Deductive and Inductive Method of teaching.

13. Explain market studies as a method of teaching in commerce. What are the stages of a market survey?

6.10 SUGGESTED FURTHER READINGS

Aggarwal, J.C. and Gupta, C.D. (2005). *Towards Learning without Burden and Quality of Education- An Evaluation*. New Delhi: Shipra Publications.

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6.11 ANSWERS TO CHECK YOUR PROGRESS

Answers to Check Your Progress-1

- (i) Lecture method
- (ii) Lecture method
- (iii) showing how something is to be done or not be done.
- (iv) Demonstration
- (v) big blackboard

Answers to Check Your Progress-2

- (i) problem
- (ii) child centered
- (iii) working on problems

- (iv) Pre-active/Planning phase; Active/Execution phase; Post-active/Evaluation phase.
- (v) reasoning and problem-solving skills

Answers to Check Your Progress-3

- (i) general conclusions
- (ii) introduce the new rule
- (iii) direct; indirect
- (iv) opposite
- (v) teacher
- (vi) five

EVALUATION : MEANING AND TYPES

STRUCTURE

- 7.1 Introduction
- 7.2 Objectives
- 7.3 Meaning of Evaluation
 - 7.3.1 Definitions of Evaluation
 - 7.3.2 Significance of Evaluation
 - 7.3.3 Role of Evaluation in Teaching and Learning Process
- 7.4 Purpose of Evaluation
- 7.5 Types of Evaluation
- 7.6 Let Us Sum up
- 7.7 Lesson End Exercise
- 7.8 Suggested Further Readings
- 7.9 Answers to Check Your Progress

7.1 INTRODUCTION

In every walk of life, the process of evaluation takes place in one or the other form. If the evaluation process is eliminated from human life then perhaps the aim of life may be lost. It is only through evaluation that one can discriminate between good and bad. The whole cycle of social development revolves around the evaluation process. In education, how much a child has succeeded in his aims can only be determined through evaluation. Thus, there is a close relationship between evaluation and aims. Education is considered as an investment in human beings in terms of development of human resources, skills, motivation, knowledge and the like. Evaluation helps to build an educational programme, assess its achievements and improve upon its effectiveness. It serves as an in-built monitor within the programme to review the progress in learning from time to time. It also provides valuable feedback on the design and the implementation of the programme. Thus, evaluation plays a significant role in any educational programme. Evaluation plays an enormous role in the teaching-learning process. It helps teachers and learners to improve teaching and learning. Evaluation is a continuous process and a periodic exercise. It helps in forming the values of judgement, educational status, or achievement of student. Evaluation in one form or the other is inevitable in teaching-learning, as in all fields of activity of education judgments need to be made. Further, it contributes to formulation of objectives, crafting of learning experiences and appraisal of learner performance. Thus, this unit will help the teachers to have an idea of the concept of evaluation, types of evaluation, purpose of evaluation, principles of evaluation and characteristics of a good evaluation programme which in turn will enable them to design a good evaluation programme for their classes and utilize evaluation meaningfully.

7.2 OBJECTIVES

After going through this lesson, you shall be able to:

- explain the meaning of evaluation,
- delineate the purpose of evaluation,
- determine the role of evaluation in teaching and learning process, and
- describe the summative and formative types of evaluation.

7.3 MEANING OF EVALUATION

Evaluation is a part of life, it can be observed even in small things like, which dress to wear for work, what gift to buy or when to cross the road. Evaluation is an activity through which the human behaviours, actions and happenings of the world are identified, perceived and realized. It is the only activity that controls and provides valid judgments and conclusions about each and every activity of the day-to-day events. In education, evaluation is more important because only through evaluation a teacher can judge the growth and development of students, the changes taking place in their behaviour, the progress they are making in the class and also the effectiveness of her/ his own teaching in the class, Thus, evaluation has been regarded as an integral part of any teaching and learning situation.

In fact, evaluation plays a pivotal role in deciding what the learners learn and what the teachers teach. It exerts an overwhelming influence on our system of education. The National Curriculum Framework for School Education, 2000, observes, “Teaching for successful learning cannot occur without high quality evaluation.” The quality of any educational system is, thus, directly linked with the quality of evaluation. The present scenario of evaluation at different stages of schooling in the country does not present a very bright picture as it suffers from a number of imperfections, One of the reasons for the problems regarding evaluation is that several school teachers are not aware of the concept of evaluation, what is involved in the process of evaluation and how to utilize results fruitfully. This unawareness of some teachers has led them to test their students in a haphazard manner in both internal and external examinations. The situation requires that the teachers must be well trained in all the aspects of evaluation in order to improve the quality of education.

Evaluation is a systematic process of determining the growth and progress of pupils towards objectives or values in the curriculum. In other words, it is a systematic process of determining the extent to which educational objectives are achieved by pupils. It assesses the performance made by the students and determines their grade and rank. Students are graded with the intention of grouping and promoting them. Evaluation helps maintaining standards for admission, promotion and awarding of honours. Standards furnish the means of social control and evaluation carries out a periodic check-up on the effectiveness of the student’s knowledge. The check-up can be carried out in the areas of planning the courses and the processes of teaching. It evaluates the student’s progress and

the outcomes of teaching-learning experiences along with the curricular content of courses. Evaluation gives proper guidance in education & teaching which leads to diagnosis of specific strengths and weaknesses in the pupil's achievements or capacities. It helps the teacher to guide the pupil and motivate them so that they can accomplish their targets and enrich their growth prospects. Most of the academician believes that evaluation is a complex process and other found it as continuous process. Educational evaluation is recognised as a comprehensive process as it is observed at every stages of the process of education i.e. right from beginning with the determination of objectives, planning of the curriculum, teaching learning process and testing. It is comprehensive again in the sense that it takes into consideration all the objectives of the curriculum and not only achievement. Educational evaluation is a continuous process as it focused on pupils' growth and development occur throughout the year. The single act of testing pupils' growth and development at the end of the each academic year is not enough to know the true and complete account of the change taking place in pupils. It is, therefore, necessary to judge their progress from time to time throughout the year. It is continuous also in the sense that it does not end with testing. It strives to interpret the results obtained and in the light of interpretation either continues or modifies educational objectives, curriculum, methods of instruction or tools and techniques of evaluation themselves and the process goes on.

The word 'evaluation' is often confused with testing and measurement. Therefore, many a time teachers who give a test to the students, think that they are evaluating the achievement of the students. Testing is only a technique to collect evidence regarding pupil behaviour. Measurement on the other hand, is limited to quantitative description of the pupil behaviour. Evaluation is a more comprehensive term which includes testing and measurement and also qualitative description of the pupil behaviour. It also includes value judgment regarding the worth or desirability of the behaviour measured or assessed. Therefore, Gronlund (1981) has indicated this relationship in the following equation:

Evaluation = quantitative description of pupils (measurement)
+ value judgment

Evaluation = qualitative description of pupils (non-measurement)
+ value judgment

Thus, evaluation may not be based on measurement alone but it goes beyond the simple quantitative score. For example, if a child gets 60 percent marks in an English language test, it alone does not tell us whether his/her achievement is satisfactory or not. It is only when we compare this mark of 60 percent with the marks obtained by other children in the class or with certain criteria laid down in advance, or with the child's own marks in previous tests. Thus, we are able to judge or evaluate whether his/her achievement in English is satisfactory or not. Similarly, students' achievement may be viewed at three different levels:

1. Self-referenced	How the student is progressing with reference to himself/herself?
2. Criterion-referenced	How the student is progressing with reference to the criteria set by the teacher?
3. Norm-referenced	How the student is progressing with reference to his/her peer group?

7.3.1 Definitions of Evaluation:

Evaluation is concerned with the ability to judge the value of material (statement, novel, poem, research, report) for a given purpose. The judgements are to be based on definite criteria. These may be internal criteria (organization) or external criteria (relevance to the purpose) and the student may determine the criteria or be given them.

The term evaluation conveys several meanings in education and psychology. Evaluation has been defined by various educationists in different ways.

Tyler (1950) defined evaluation as "a systematic process of determining the extent to which educational objectives are achieved by pupils". This definition indicates that evaluation is a systematic process, and it omits the casual, informal or uncontrolled observation of the pupils. The definition also implies that objectives of education have to be identified in advance. Without predetermined objectives, it is not possible to judge the progress, growth and development of students.

"Evaluation is the assignment of symbols to phenomenon, in order to characterise the worth or value of a phenomenon, usually with reference to some social, cultural or scientific standards". **(James M. Bradfield)**.

“Evaluation is a systematic process of collecting, analysing and interpreting information to determine the extent to which pupils are achieving instructional objectives”.
(Gronlund and Linn)

Wheeler defined “Evaluation as a more general judgement of the outcome of a programme, which involves the use of observations, various tests, questionnaires, interviews, etc. His emphasis was on the processes of educational evaluation.

According to another well known definition evaluation is providing information for decision making. “The evaluation is a systematic process of collecting evidence about students’ progress and their achievement in both cognitive and non-cognitive areas of learning on the basis of which judgments are formed and decisions are made”. It has the following three components:

- Information gathering
- Information processing
- Judgment forming and decision making

Evaluation is not always the end of a course. We not only want to know whether a student has developed a certain ability stated in the educational objectives or not but we also need to know about the progress during the course of teaching and learning. Thus, it is a continuous process.

7.3.2 Significance of Evaluation

In learning, it contributes to formulation of objectives, designing of learning experiences and assessment of learner performance. Besides this, it is very useful to bring improvement in teaching and curriculum. It provides accountability to the society, parents, and to the education system. **Let us discuss its use briefly:**

(i) Teaching

Evaluation is concerned with assessing the effectiveness of teaching, teaching strategies, methods and techniques. It provides feedback to the teachers about their teaching and the learners about their learning.

(ii) Curriculum

The improvement in courses/curricula, texts and teaching materials is brought about with the help of evaluation.

(iii) Society:

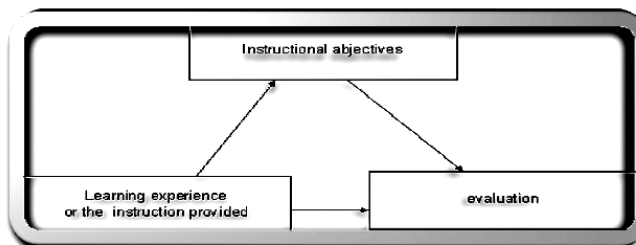
Evaluation provides accountability to society in terms of the demands and requirements of the employment market.

(iv) Parents:

Evaluation mainly manifests itself in a perceived need for regular reporting to parents. In brief, evaluation is a very important requirement for the education system. It fulfils various purposes in systems of education like quality control in education, selection/entrance to a higher grade or tertiary level. It also helps one to take decisions about success in specific future activities and provides guidance to further studies and occupation. Some of the educationists view evaluation virtually synonymous with that of learner appraisal, but evaluation has an expanded role. It plays an effective role in questioning or challenging the objectives.

7.3.3 Role of Evaluation in Teaching and Learning

Evaluation is an integral part of teaching. When a question is asked and answered evaluation takes place. Teaching and evaluation overlap and merge into each other. In fact, it is not possible to have teaching without evaluation. Both teaching and evaluation are processes which provide direction to them. Instruction is provided which are to be developed in students. It is for achieving the instructional objectives that instruction is provided and it is to see whether the instructional objectives have been achieved and to what extent, that the evaluation is made. The interrelationship of objectives, instructional process or the learning experience and evaluation in a programme of teaching can be expressed more clearly through the following diagram:



The above diagram illustrates that the three components of teaching and learning constitute an integrated network in which each component depends on the other. Thus, through evaluation, the teacher not only assesses as to how far the student has achieved the objectives of teaching but also judges the effectiveness of the learning experiences, methodologies, means and the materials used for achieving those objectives.

Check your progress-1

Note: (a) Answers the question given below

(b) Compare your answers with those given at the end of this lesson

Fill in the blanks

- (i) Evaluation is a systematic process which omits the casual, informal or uncontrolled of the pupils.
- (ii) The is a systematic process of collecting evidence about students' progress and their achievement
- (iii) Measurement is a description of the pupil behaviour
- (iv) Evaluation is an integral part of programme.
- (v) Both teaching and evaluation are based on the objectives which provides direction teacher and pupil.

7.4 PURPOSE OF EVALUATION

Evaluation serves a number of purposes in education. Some of the dominant purposes are to grade, rank, classify, compare and promote the students. It is also used for certifying the completion of a course, selection of students for admission or scholarship, and for predicting their future success in different endeavours. However, there are the purposes of end-of- the term evaluation. The basic purpose of evaluation in school is to bring quality improvement in education which it does by providing feedback regarding pupil learning, classroom teaching, appropriation of curriculum and course content. It also helps in bringing all round development of the students' personality when it is used for developing their non-cognitive capacities.

(i) Improvement of Learning

Evaluation of pupil progress contributes directly towards improvement in pupil learning. This is done in a number of ways. Evaluation procedures help the pupil to know about what it is that the teacher wishes him/her to learn. Feedback from evaluation provides teacher's concrete information about their progress and focuses on pupil readiness for future learning activities. Through this continuous evaluation, the teacher knows the extent of learning at every stage. If teachers found any hard spots or gaps of learning, evaluation provides appropriate remediation. Further, it leads to initiation of enrichment measures for students having slow progress. Thus, evaluation helps in improving learning through diagnosis and remediation. It enables the teacher to keep a continuous and regular watch on pupil development and motivates them to learn. Evaluation also promotes a healthy competitive spirit in children and stimulates them to show their excellence. If there is no evaluation in the classroom, the students may not be study at all. Besides, there are other uses of evaluation results which have relevance for parents. Through the result of the evaluation, parents can know the weak and strong points related to the learning of their children. If the evaluation in school is being done in a comprehensive manner, the teacher can also report on the overall personality growth of the child to the parent. This will develop a better co-operation between the teacher and parents for the progress of the child. Parents can take remedial measures in case of any particular deficiency.

(ii) Improvement in Teaching

The other purpose of evaluation is to promote the accountability of the teachers. The children's results can tell them whether the poor performance of the students is due to poor teaching, defective methodology or due to absenteeism of teachers or callousness in teaching. Thus, evaluation can work as an important instrument for improvement in teaching. Professional development of the teachers is almost directly related to the feedback through evaluation. A teacher earns a reputation on the basis of the result shown by the pupils whom she has taught. If the students do not show desirable learning outcomes, then teachers may have to think of changing their strategies of teaching, improving the instructional material, updating their knowledge or going for a refresher course, thereby exploring new approaches.

These steps will automatically help in shaping professional development and taken into cognizance the learning outcomes of both the scholastic and non-scholastic domains of human personality. The areas included in the non-scholastic domain are the social-personal qualities, interests, attitudes, values and physical growth of the students which need to be developed and evaluated consciously in the context of present day educational system. The evaluation of non-scholastic areas in the Indian condition, as observed by Agrawal (1998) not only brings to light the hidden qualities in children, but also prepares them for the future. There are certain traits, qualities, attitudes and values which are needed by an individual for success in life. For example, qualities of regularity, punctuality, discipline, initiative, industriousness and cooperation are valued in professional life, qualities of respect for others, truthfulness, emotional stability are required for a happy personal life. Another reason why it is important for teachers to know about the students' attitudes, interests, values and general make up through which knowledge can be used to remove their learning difficulties and enhance their academic achievement. Quite frequently the learning difficulties of students are related to their personality (Edward, 1997). They are influenced by the students' attitudes, values and interests. If a teacher knows Sachin likes sports, she might have him read sports magazines in order to help improve his reading. Thus teachers can capitalize on the interests and attitudes of their pupils. (Mehrens & Lehmann, 1987).

(iii) Renewal of Curriculum or Course Content

Evaluation also gives information regarding the effectiveness of the course content. There may be certain curricular areas which may prove to be difficult for the students as their maturity level is not developed enough to cope up with them. This fact can be identified through evaluation and its feedback. If, it is found out consistently by the feedback of the evaluation of different pupils that a particular curricular area is not suitable for them, it may be modified. Such information is useful in judging the appropriateness of the pre-determined objectives, of the course as well. Hence, evaluation can provide a basis for curriculum revision.

(iv) Development of Non-Cognitive Capacities

In today's world the development of intellectual powers is not enough. Evaluation also gives information regarding the effectiveness of the course content. The prime

objective of education is to bring about an all round development of human personality which can be done by developing non-cognitive capacities of students along with the cognitive' capacities. This can be ensured only when a school takes up the system of evaluating these aspects of children's personality.

(v) Diagnosis and Remedial Measures

Evaluation is required to locate the students who need special remedial help. This helps in determining what instructional strategies should be used by the teacher to help a particular student or a group of students so that the opportunities are maximized to achieve the objective. Aptitude tests, intelligence tests, diagnostic achievement tests, diagnostic personality measures may be used to achieve the purpose.

(vi) Getting Feedback

It is not sufficient to evaluate a student through a test. A good teacher will use tests for the purpose of providing feed back to students. Feedback may be effective or ineffective depending upon the circumstances. Evaluation is used to motivate the students. Motivation devices can be used positively as well as negatively. Evaluation techniques make students more confident and motivate them to study well. Such tests will be more effective and lasting. Aptitude tests, achievement tests, attitude scales, personality measures, interest inventories, surprise quizzes encourage students for more study and understanding.

(vii) Evaluation Programme

After the introduction of any education programme, it is necessary to evaluate its worth from time to time. It should be promoted if found useful and effective and should be stopped if found useless and ineffective. This can be done by giving Aptitude tests, Intelligence tests, Achievement tests, Attitude scales and Interest inventories to the learners.

(viii) Development of Theory

The educational theories with which we are conversant and which will be developed in future are developed through researches. If the educationists and psychologists

do not make researches, knowledge will not grow and the next generation will learn those theories only which were developed in the past. Thus one of the main purposes of evaluation is to develop educational theories.

(ix) Self Reporting through Scoring Referencing Scheme

The questionnaire method of obtaining information from individuals is most commonly used in systematic attempts to evaluate interests, attitudes, and other aspects of personal and social adjustments. It has an advantage over the interview method: in that it can be used in group situations. Each individual is presented with a series of questions or statements to which he must respond by answering yes or no agree or disagree or in some other manner indicate his feelings and opinions. Under this category we get personality inventories, and interest inventories. Since the usefulness of both the interview and the questionnaire depends upon the willingness of the individual to give honest answers, they are decidedly limited for purposes of evaluating pupil progress. They are probably most useful for guidance purposes, where the individual's desire to understand himself and to make wise future plans encourages him to describe himself as he actually is rather than as he would like to be.

Check your progress-2

Note : a) Answers the question given below

b) Compare your answers given at the end of this lesson

Write in bracket T for true statements and F for False statements

- (i) The basic purpose of evaluation in school is to bring quality improvement in education ()
- (ii) Feedback from evaluation provides teacher's concrete information about pupil's progress ()
- (iii) Evaluation works as an important instrument for improvement in writing skills ()
- (iv) Evaluation also gives information regarding the content of the subject ()
- (v) Evaluation is required to locate the students who need special remedial help ()

(vi) Evaluation is used to motivate the students ()

(vii) Evaluation is used planning the lesson ()

7.5 TYPES OF EVALUATION

Specifically there are three types of evaluation used in the classroom. These are summative evaluation, formative evaluation and diagnostic evaluation.

(i) Summative Evaluation

Summative evaluation is that kind of evaluation which takes into consideration the periodic evaluation that has been made and in addition to a total evaluation of the program: process or product made and the conclusions are arrived at keeping in view the outcome of the periodic evaluation in addition to the final evaluation. It is the commonly known type of evaluation and comes at the end of the term, course or programme of teaching. It involves a formal testing of pupil's achievement. Annual examinations and half yearly examinations in schools, public examinations are the example of such evaluation. The purpose of this kind of evaluation is to grade, rank, classify, compare and promote the pupils. It is also used for the purpose of certification. Summative evaluation is also used for selecting students for scholarships or for admission to particular courses. Prediction regarding the success of students in their future endeavours can also be made on its basis. Summative evaluation can also be subdivided into following:

a. Outcome evaluations

It investigates whether the program or technology caused demonstrable effects on specifically defined target outcomes.

b. Impact evaluation

It is broader and assesses the overall or net effects – intended or unintended – of the program or technology as a whole.

c. Cost-effectiveness and cost-benefit analysis

It address questions of efficiency by standardizing outcomes in terms of their dollar costs and values.

d. Secondary analysis

It re-examines existing data to address new questions or use methods not previously employed.

e. Meta analysis

It integrates the outcome estimates from multiple studies to arrive at an overall or summary judgement on an evaluation question.

(ii) Formative Evaluation

Formative evaluation is a process of evaluation that is made from time to time in the case of an instructional program and from one stage to the other. It does not provide a totalitarian impression of the quality either of the instructional programs, the techniques and methods, materials or media. It is inbuilt with the process of teaching and learning. It is done during the course of instruction with a view to improving students' learning. The purpose of this evaluation is to provide feedback regarding the students' progress, by finding out the learning gaps and the weak points. The teacher can then organize remedial programmes for them. Formative evaluation also provides the teacher feedback regarding the efficiency of the teaching methods, so that the teaching can be improved. It can also provide clues to the effectiveness of the course content and teaching materials. For example, after teaching and testing a unit, the teachers can evaluate whether the content taught was appropriate for that level and whether the text book had dealt with that content in an appropriate manner which the students could understand easily. Thus, the main purpose of formative evaluation is improvement in learning. Formative evaluation is done continuously throughout the course period. It can be done by means of unit tests which can be given after teaching each unit, informal class tests, assignments and other class room activities, Unlike summative evaluation in which is formal in nature, formative evaluation is informal and can be undertaken by using multiple techniques like observation, oral tests, written tests etc. Formative evaluation includes several evaluation types:

a. Needs assessment

It determines who needs the program, how great the need is, and what might work to meet the need.

b. Evaluability assessment

It determines whether an evaluation is feasible and how stakeholders can help shape its usefulness.

c. Structured conceptualization

It helps stakeholders define the program or technology, the target population, and the possible outcomes.

d. Implementation Evaluation

It monitors the fidelity of the program or technology delivery.

e. Process Evaluation

It investigates the process of delivering the program or technology, including alternative delivery procedures

(iii) Diagnostic Evaluation

Diagnostic evaluation is another kind of evaluation which is more closely related to formative than the summative evaluation. In fact it is to be carried out along with formative evaluation in the class. Sometimes, even the summative evaluation may be used for diagnostic purpose. The main purpose of diagnostic evaluation is to find out the underlying cause of weaknesses in a student's learning, but it is also needed even prior to instruction in order to place the student properly by looking at his/her level of achievement. Thus, diagnostic evaluation provides a starting point to carry out the instruction.

Check Your Progress-3

Note: (a) Answers the question given below

(b) Compare your answers with those given at the end of this lesson

Fill in the Blanks

(i)involves a formal testing of pupil's achievement.

(ii)also provides the teacher feedback regarding the efficiency

of the teaching methods.

- (iii) is used for selecting students for scholarships or for admission to particular courses.
- (iv) is to find out the underlying cause of weaknesses in a student's learning.
- (v) Formative evaluation is in the form of

7.6 LET US SUM UP

Evaluation is an important aspect of any educational system. It is a systematic process carried out in the classroom or school for providing information for taking important decisions. A teacher should be well versed with the concept of evaluation and procedures used for evaluation in order to make her/his teaching more purposeful and effective. Summative evaluation is that kind of evaluation which takes into consideration the periodic evaluation whereas; formative evaluation is made from time to time in case of an instructional program and from one stage to the other. The teacher should know what the objectives that are to be tested are, what techniques and tools are to be used for testing them most appropriately and how to use evaluation for taking decisions. In this unit therefore, the meaning of evaluation, types of evaluation, purposes of evaluation have been discussed.

7.7 LESSON END EXERCISE

Long answers type questions:

- Q1. Explain the meaning and significance of evaluation?
- Q2. Explain the purpose of evaluation?
- Q3. What are the various types of evaluation?
- Q4. Describe the role of evaluation in teaching and learning process?

7.8 SUGGESTED FURTHER READINGS

- Agrawal, M. (1988). *A Handbook of Evaluation in English*, NCERT, New Delhi.
- Bloom, B.S., et al (1970) *Handbook on Formative and Summative Evaluation of Student Learning*, New York, Mc Graw-Hill. I
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- Judd, R. L. (1998). *The Pedagogue's Column The Matter of Advising on Test Construction*. Domain3, Winter 1998.
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7.9 ANSWERS TO CHECK YOUR PROGRESS

Answers to Check Your Progress-1

- i. Observation
- ii. Testing
- iii. Quantitative
- iv. Teaching and learning
- v. Instructional

Answers to Check Your Progress- 2

- i. T

- ii. T
- iii. F
- iv. F
- v. T
- vi. T
- vii. F

Answers to Check Your Progress- 3

- i. Summative evaluation
- ii. Formative evaluation,
- iii. Summative evaluation
- iv. Diagnostic evaluation,
- v. Unit test

EVALUATION TOOLS

STRUCTURE

- 8.1 Introduction
- 8.2 Objectives
- 8.3 Diagnostic Testing: Meaning and Concept
 - 8.3.1 Salient Features of Diagnostic Testing
 - 8.3.2 Steps Involved in Diagnostic Testing
- 8.4 Remedial Testing: Meaning and Concept
 - 8.4.1 Salient Features of Remedial Testing
 - 8.4.2 Basic Principles of Remedial Testing
 - 8.4.3 Selection of Material
 - 8.4.4 Limitations of Remedial Testing
- 8.5 Evaluation Tests
- 8.6 Oral Type Test
 - 8.6.1 Features of Oral Type Test
 - 8.6.2 Objectives of Oral Type Test
 - 8.6.3 Limitations of Oral Type Test
- 8.7 Written Type of Test

- 8.7.1 Meaning of Essay Type Test
- 8.7.2 Features of Essay Type test
- 8.7.3 Advantages of Essay Type Test
- 8.7.4 Disadvantages of Essay Type Test
- 8.8 Objective Type Test
 - 8.8.1 Types of Objective Type Test
 - 8.8.2 Advantages of Objective Type Test
 - 8.8.3 Limitations of Objective Type Test
- 8.9 Quizzes
 - 8.9.1 Advantages of Quizzes
- 8.10 Let us Sum up
- 8.11 Lesson End Exercise
- 8.12 Suggested Further Readings
- 8.13 Answers to Check Your Progress

8.1 INTRODUCTION

The process of determining the causes of educational difficulties is known as educational diagnosis. The scope of educational diagnosis is much larger than the use of tests and examinations. The need of diagnostic tests and subsequent remedial teaching are essential component of continuous and comprehensive assessment in the school. The term diagnosis refers to the process to find out the learning difficulty of individual student and accordingly remedy is being provided. This lesson is intended to clarify the term educational evaluation diagnosis. The main role of a person as a teacher is to promote quality learning among the students. This is possible only when he/she act as a guide and the students actively participate in the process of learning. During this teaching-learning process, one should have to locate and identify the areas where the learner commits mistakes. It is the crucial stage of teaching-learning process where teacher diagnose and prepare instructional

material for remedial teaching which ensure the desired quality of learning. At this stage the role of a teacher is just like a doctor's. The doctor takes all the necessary steps to diagnose the disease by performing different tests and then prescribes medicines for the particular disease. In this case of education, the process of diagnostic testing is the step and Remedial testing is the Prescription. Hence, this lesson has focused on “diagnostic testing and remedial teaching” which are considered essential for ensuring effective learning and in improving the quality of education. Besides, we have also discussed about various educational diagnostic tools such as, oral type test, quizzer, essay type test and objective type test

8.2 OBJECTIVES

After going through this lesson, you shall be able to:

- explain the meaning and features of diagnostic testing,
- elaborate nature and importance of diagnostic testing,
- delineate remedial teaching,
- elaborate oral test with its advantages and disadvantages,
- discuss written type test, essay type and objective type tests, and
- explain quizzes and its advantages.

8.3 DIAGNOSTIC TESTING: MEANING AND CONCEPT

Diagnostic testing is a process of carrying out evaluation of students' knowledge and skills so as to identify their specific learning gaps. The term diagnosis has been borrowed from the medical profession. It means identification of disease by means of patient's symptoms. For example, when a patient comes to a doctor, the doctor initially puts some questions to the patient to gather some basic information's about the disease and then uses other techniques to get more related information to identify the disease and its probable cause(s). After careful analysis of these data, he prescribes the medicines as remedial treatment. Similarly, in the field of education, diagnosis has many such implications. Difficulties in learning occur frequently at all levels and among pupils of both high and low mental ability.

In order to handle such cases, the teacher also uses similar techniques like a doctor to diagnose the relative strengths and weaknesses of pupil in the specific area of study, analyse the causes for the same and then provides remedial measures as per necessity. Since tools and techniques used in mental measurements are not that exact, objective and precise like the tools and techniques used in sciences, the teachers are cautioned to use the diagnostic data with great care for designing remedial programmes. But it is used in education to determine the learning difficulties or deficiencies of the learner. Diagnostic test is a test used to diagnose strength and weakness of the learning in certain areas of study whereas diagnostic evaluation is centered on schooling process such as the curriculum programme, administration and so on. When learning difficulties that are left unresolved by the standard corrective prescriptions of formative evaluation and a pupil continues to experience failure despite the use of prescribed alternative methods of instruction, then a more detailed diagnosis is indicated. To use a medical analogy, formative testing provides first aid treatment for simple learning problems and diagnostic testing searches for the underlying causes of those problems that do not respond to first aid treatment. Thus it is much more comprehensive and detailed and the difference lies in the types of question each of them is addressing.

In diagnostic testing, standardized and teacher's made diagnostic tests are used. Diagnostic testing is often used to determine why students are having difficulty and use of alternative methods of instruction. Diagnostic testing is carried out to guide attainments of pupils, identify difficulties of pupils and for dividing pupils into groups for remedial instruction. This testing help inform the teacher about the level of student knowledge prior to instruction, so that instruction can be tailored to the existing knowledge base. Also, this pre instructional testing provides information that can be compared to post instructional testing for the purpose of determining growth. The major instrument for undertaking diagnostic testing is 'diagnostic test' based on particular content and can be a standardized one or a teacher made. A diagnostic test measures where students are in terms of their knowledge and skills. It assesses the abilities that students have at a particular time to solve problems or answer questions in a subject area.

Diagnostic tests can be especially beneficial for teachers who have multiple classes to teach within one subject. A diagnostic test is useful if a teacher uses it more than once throughout the school year. Given at the beginning of the year, it can help the teachers to plan his/her instruction. At the mid year, he/she can determine how many students have

learned so far and what he/she needs to review. At the end of the year a summative test can provide an assessment of a student's total learning for the class. A diagnostic test can show how much students have progressed in their knowledge of a subject. A diagnostic test is primarily used to discover learners' strengths and weaknesses and provide detailed feedback for both teachers and learners to make decisions. The essence of diagnostic testing lies in a comprehensive and creative feedback system for the students and the teachers.

8.3.1 Salient Features of Diagnostic Test

The following are the salient features of diagnostic testing:

- (i) A diagnostic test is more elaborate, covering all the minute aspects and will consist of a large number of items of different levels.
- (ii) More than one item is included from each teaching point in order to make sure whether the students know thoroughly.
- (iii) There is no time limit because it is not ability but weakness that is being evaluated.
- (iv) Diagnostic testing may include a battery of tests necessary for a single unit.
- (v) A diagnostic test undertakes to provide a detailed picture of strengths and weaknesses in an area. It is anticipated that this detailed analysis will suggest causes for deficiencies and provide a guide for remedial procedures.
- (vi) Diagnosis is after all, a matter of degree. The investigator may probe and analyse with varying degrees of thoroughness and detail.
- (vii) Diagnostic test is concerned with those pupils who are seriously deficient in some skill. The teacher is concerned with specific weaknesses of the weak. Hence the desirable psychometric properties of a diagnostic test are quite different from those sought in a survey test. It is not cared whether the test will make differentiations among the top and bottom pupils.
- (viii) Since all the subtests of a diagnostic test battery are related to some or one general area of skill, it is natural that the subtests show sizable inter correlations. The pupil who is deficient in one skill is likely to be deficient in others.

- (ix) The psychometric attributes desired in a survey test and in a diagnostic test are so contradictory that a test that serves well for one purpose will almost certainly be poor for the other.
- (x) A well designed diagnostic test could be completely inadequate to measure the abilities of the top half or three quarters of an ordinary school class. Conversely, a survey test will provide only a very general and rough appraisal of the deficiency of the poor performer.

8.3.2 Steps involved in Diagnostic Test

Construction of any test needs planning. The test should be standardized. Standardization is a process for refining a measuring instrument through scientific procedures. The various steps involved in the construction and standardization of a diagnostic test are described in the following paragraphs. Steps involved in the construction of diagnostic test. A simple and common framework of constructing a diagnostic test can be given in terms of the following seven steps:

- (i) Planning
- (ii) Writing items
- (iii) Assembling the test
- (iv) Providing Directions
- (v) Preparing the scoring key and marking scheme
- (i) **Planning**

The unit, on which a diagnostic test is based, requires a detailed exhaustive content analysis. It is broken into learning points without omitting any point. The diagnostic procedure is based on the premise that mastery of the total process cannot be stronger than that of the weakest link in the chain of related concepts and skills. Accordingly each concept, skill of learning point called into play is identified at the time of constructing the test. As far as a diagnostic test is concerned, it is not very necessary to know the relative importance of the learning points. All the learning points have to be covered in an unbroken sequence. Each learning point should have an adequate number of questions to help identify the area of weakness.

(ii) Writing items

All the forms of questions (essay, short answer & objective types) can be used for testing different learning points. However, for diagnostic purposes, short answer questions involving one or two steps, are used widely. Whatever be the form of questions, they should in general be easy, suitable for average students of that age or grade. The questions have to be specifically related to the learning points and should be such as to throw light on the weakness of the students. The question should be written in simple language. The scope of the expected answer should be clear to the students. The questions are clubbed around the learning points, even when they are of the different forms; the learning points are arranged sequentially from simple to complex which ensures that students do not have to change their mental sets very frequently.

(iii) Assembling the test

Preparation of blue print may altogether be avoided. No rigid time limit need to be specified, though for administrative case a time limit may be set.

(iv) Providing directions and preparing scoring key

A set of instructions clear and precise, is drafted. It should also be provided with a scoring key and marking scheme.

(v) Reviewing the test

Before printing the test, it should be carefully edited and reviewed. This ensures that any inadvertent errors are eliminated.

8.4 REMEDIAL TEACHING: MEANING AND CONCEPT

Children with learning difficulties have the same psychological needs and characteristics as other children. Some of them, however, may be less able to organize their perceptions or to comprehend abstract ideas and concepts. Some may have poor memory, poor level of motivation and short span of attention in work situations or associated behavioural problems. Above all, owing to encounters of failure they tend to have low expectations of themselves, having rarely distinguished themselves at school and also have low aspirations. The diagnosis is the process of investigating the learners' difficulties and the reasons for this. And its follow up leads to actions that may help children make up

their deficiencies. This step is generally termed as “Remedial Teaching”. So, one should be skilled in preparing or arranging for such material which may have to be used to undertake corrective instruction and thus enhancing the quality of learning. It must also be noted that most of the learning difficulties pupils in remedial classes encounter may not be within the child, but are relative to the context where the learning is taking place, such as the family background of the child, the physical and learning environment of the school, and the pupils’ peer groups. Once we understand this, we will begin to view our pupils from a different perspective and try to accept their learning difficulties as a transient and soluble problem. We will begin to see our pupils as children who can be taught and helped to overcome their learning difficulties. Remedial instruction through various activities is employed to remedy or remove the effects of poor teaching and learning. It may be concerned with the teacher also who for one reason or another has used ineffective methods of teaching. It is based upon a careful diagnosis of defects and causes and aims to correct weaknesses found in the pupil’s learning achievement.

It is essential for a remedial teacher to understand thoroughly the strengths and weaknesses of their pupils so that appropriate teaching approaches can be adopted to meet their individual needs. Although these pupils are low academic achievers, they are not necessarily limited in abilities or that their attainment will remain permanently low. With proper remedial help, the use of stimulating teaching strategies, and closer supervision and more individual attention, these pupils’ interest in learning will be aroused and they would make better progress. The ultimate aim of remedial teaching is to help pupils who have fallen behind to learn to the best of their ability and to bring them back into the mainstream classes as far as possible. The term “remedial” is also employed in a broader sense to connote teaching which is developmental in its scope. There are pupils in our schools, who may not possess any inherent disability which needs correction, but there are pupils who may need assistance urgently in developing increased competence in reading and other fundamental processes. In those cases, it is not primarily a problem of re-teaching or remedying of learning difficulties, but it is rather teaching for the first time these basic skills which are essentially needed and which apparently are lacking. In this sense, remedial teaching involves taking a pupil from where he is to greater achievement. It is just good teaching in which the learner and his needs occupy the focal point.

8.4.1 Salient Features of Remedial Instruction

- (i) Remedial instruction is a dynamic side of the diagnostic testing. Hence it depends on the educational diagnosis.
- (ii) To overcome the difficulties in learning and in acquisition of skills is the main purpose of remedial instruction.
- (iii) Remedial instruction is not only useful to cure the shortcomings but also in preventive measures.
- (iv) Remedial instruction is a short term treatment.
- (v) Remedial instruction helps the below average students to be with the normal students in acquiring the common level of achievement.

8.4.2 Basic Principles of Remedial Testing

Remedial instruction consists of remedial activities taking place along with the regular instruction or outside the regular class instruction and usually conducted by a special teacher. The type of remedial treatment given to the students depends on the character of the diagnosis made. If physical factors are responsible, remedial attention should be provided. The results of diagnosis have significance only if they constitute the basis for corrective instruction and for remedial procedures, which remove, alleviate or compensate for causal factors in the child and his/her environment. If a teacher can identify several children who lack a thorough understanding of certain concepts, he/ she may re-teach these concepts through group instruction, demonstrations, and supplementary silent reading by the pupils etc. General backwardness in subject is frequently due to inadequate mastery of the basic skills of Reading, Arithmetic, Language, Handwriting and Spelling or Inadequate command of the work, Study skills, etc. Hence corrective work in the basic skills plus improved motivation in the subject may be sufficient to effect improvement. The following are the general principles of remedial teaching:

- i. Individual consideration of the backward pupil with recognition of his mental, physical and educational characteristics.
- ii. Thorough diagnosis with a pretest.

- iii. Early success for the pupil in his backward subject or subjects by use of suitable methods and materials.
- iv. Dissipation of emotional barriers through early success, praise, continuous help, sympathetic consideration of his difficulties and sustained interest.
- v. The need for a new orientation towards the backward subject through new methods involving play way approaches activities and appropriately graded materials.
- vi. Frequent planned remedial lessons.
- vii. Co-operation with the parents.

8.4.3 Selection of Materials

The following points should be kept in mind while selecting appropriate instructional material:

- i The corrective material should be designed to correct the students' individual difficulties.
- i You have to analyze the work of slow learners by means of observation, interview and Diagnostic Testing.
- ii A careful consideration of the three may help decide what kind of corrective material is to be designed and whether material will be adequate to correct the specific difficulties of learners.
- iv The corrective material should be graded, self-directive and should permitted students to work independently. Written directions, which accompany the material, should be easily readable and comprehensible by the students.
- v The corrective material must permit individual to progress according to their pace.
- vi The material should encourage systematic recording of evidence of pupils' progress.

8.4.4 Limitations of Remedial Instruction Testing

In Remedial instruction, the teacher is constantly reminded of a principle, which is frequently overlooked in other teaching situations. To a remedial teacher, learning rather than teaching is the goal. The growth of each individual rather than the change in group

averages is the criterion of success. Hence the teacher needs a rich background in child psychology and educational diagnosis in order to successfully tackle the variety of individual problems which the child presents themselves. The main problem in remedial instruction is dearth of effective instructional material. Most of the published materials have been designed for group instruction. Only a small percentage can be adapted for individual instruction. If the material is graded carefully and provided for ample practice on each of the basic steps. The teacher can adapt it for individual use by providing self directive instruction for pupils. The teacher who understands the objectives to be attained, the analysis of individual difficulties, the types of materials needed, and which techniques essential for correction can adapt some published materials and develop additional supplementary materials which will be appropriate for corrective instruction. Many teachers who attempt remedial instruction are faced' with unusually large classes or with a large percentage of children in the class who are educationally backward. A beginning teacher with a large number of pupils in need of remedial instruction has to limit one's work to three or four pupils whose needs are greatest. As the teacher gains experience in the programme and he/ she will be able to extend remedial instruction to all the children who need it.

Check Your Progress- 1

Note: a) Answer the questions given below.

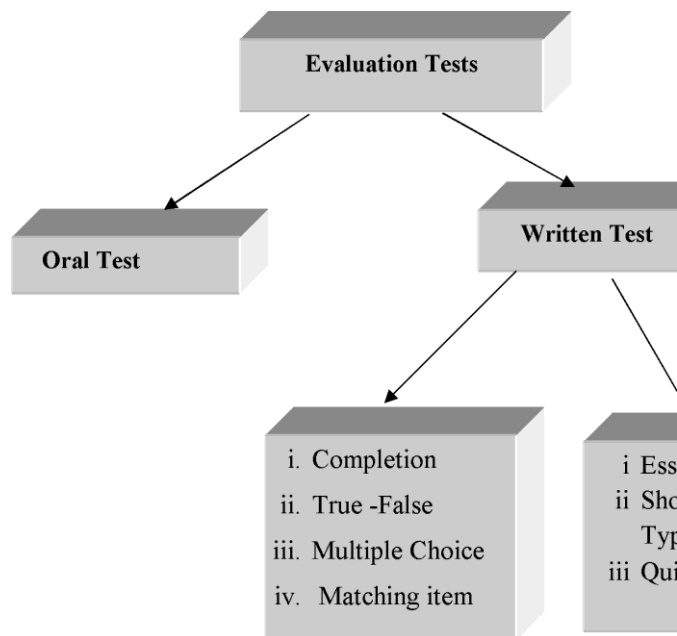
b) Compare your answers with those given at the end of this lesson.

Fill in the blanks

- (i) The aim of class test is to the performance of the pupil.
- (ii) Diagnostic test implies study of learning difficulties.
- (iii) In the diagnostic testing process, the problem is through
- (iv) Diagnostic testing means the problem areas.
- (v) In the diagnostic testing process, we try to find the area where... occur.
- (vi) Most of the learning difficulties pupils inencounter may not be within the child.
- (vii) Remedial teacher to understand thoroughly the and of their pupils.

8.5 EVALUATION TESTS

The evaluative tests used by teachers to assess the achievement of the students may be either oral or written. Since, listening and speaking are two major objectives of teaching. Oral tests have an important role to play but it may not be practicable to have oral tests at public examinations and can possibly be conducted in classrooms. The written tests are by far the most popular tests used by the teachers to assess the achievement of the students. Such tests are classified into two types: objective test and subjective test. Objective test are those which have a pre-determined scoring key and which have a minimum, or absolutely no chance of being influenced by the personal judgment. Subjective tests are those which tend to involve a considerable amount of subjectivity in evaluation. These are the tests which require judgment of the teacher in scoring the result and for which a definite, final and unquestionable key may not be possible for scoring. These are useful for testing the knowledge regarding language, organization of ideas, style of presenting the written material, evaluation, interpretation, analysis and comparison of complex concepts. In this type of tests, a relatively free, written or oral response of the student is obtained.



8.6 ORAL TEST

Writing as well as speech are the two important vehicles of communication. Oral tests are integral part of school examination system. It is a supplementary tool to the written test. The nature and form of oral test differs from subject to subject, class to class and evaluator to evaluator. Students who have difficulty in writing due to disability or any other reason can be evaluated through oral test. All subject teachers invariably take help of oral questions for transaction of lessons. Usually oral tests are not standardized tests. There is a tradition of oral examination of students for a long time. Students used to go through various oral performance tests like reciting tables in correct way. In oral performance test, how to speak appropriately always matters. Many a times it does not matter what you are speaking rather how you are speaking. It requires speed as well power of speaking/speech. Oral questioning is a way to discover the thought process that a student uses in solving problem. For example, students are asked to form train, bus, temple, arrange small to big of different objects, etc. In pre-school, kindergarten and lower classes probably the oral examinations are often desirable when an evaluator wishes to assess students' ability of integration of knowledge in several areas. Oral examination/test is a face to face question answer activity between examiner and examinee. It is a time honoured form of measurement and mainly used at the university level for examination of thesis, at the early childhood level for examination of content, and at the post-school level for examination of occupational placement. The modes of oral tests are interview, viva-voce, quiz contest, panel discussion. It is also a part of formative and summative assessment.

8.6.1 Features of Oral Test

- i The oral exam (also oral test or viva voce) is a practice in many schools and disciplines, where an examiner poses questions to the student in spoken form. The student has to answer the question in such a way as to demonstrate sufficient knowledge of the subject in order to pass the exam.
- ii Many programs require students to finish the program by taking an oral exam or a combination of oral and exams in order to show how well a student has comprehended the material studied in the program.
- iii Schools use oral exams just to test knowledge, but the ability to respond on the spot. Sometimes the oral exam is offered in schools as an alternative to a written

exam for students with a learning disability, like dysgraphia, developmental coordination disorder, or non-verbal learning disorder. Often the parents of the students have to request that the oral exam be given to their child in lieu of the written exam.

8.6.2 Objectives of Oral Test

The objectives of oral test are:

- i To evaluate the pupils' spontaneity and mannerism;
- ii To evaluate pupils' cognitive, affective and psycho-motor abilities;
- iii To identify and analyse pupils' presence of mind as exposed through oral questioning;
- iv To diagnose pupils' strengths and weaknesses and take remediation and
- v To upgrade teaching learning-process.

8.6.3 Limitations of Oral Test

It has several limitations, such as:

- i Tests tend to be subjective.
- ii They are usually unplanned
- iii Standard of the test varies with reference to examiner, subject, time, etc.
- iv Test does not work well for the shy students and highly articulated students take advantages of such test.
- v Reliability and validity of such tests are questionable.
- vi It does not cover much content at a time.
- vii It is usually more time consuming.

Check Your Progress- 2

Note: a) Answer the questions given below.

b) Compare your answers with those given at the end of this lesson.

- Fill in the blanks**
- (i)tests are those which tend to involve a considerable amount of subjectivity in evaluation.
 - (ii) Objective test are those which have a pre-determined..... which have a minimum, or absolutely no chance of being influenced by the personal judgment.
 - (iii)test is a supplementary tool to the written test.
 - (iv) Oral is a way to discover the thought process that a student uses in solving problem.
 - (v) Sometimes the oral exam is offered in schools as an alternative to a exam.
 - (vi) Oral tests identify and pupils' presence of mind.
 - (vii) Oral testing upgrades process.
 - (viii) Oral testing is process.

8.7 WRITTEN TEST

Written tests are tests that are administered on paper or on a computer. A test taker who takes a written test could respond to specific items by writing or typing within a given space of the test or on a separate form or document. Written test can be open book, close book, or anywhere in between. Students are required to give written answers (as the name of the test implies). This is depending upon the test developer's choice of which style or format to use when test is developing. Be that as it may, certain test styles and format have become more widely used than others. Written examination includes the following type of tests.

- (i) Essay type tests
- (ii) Objective type test

8.7.1 Meaning of Essay Type Test

The essay test refers to any written test that requires the examinee to write a sentence, a paragraph or longer passages. The word essay has been derived from a French

word 'essayer' which means 'to try' or 'to attempt'. The term essay implies a written response which may consist of one or two pages. The student is allowed to have freedom with respect to wording, length and organization of the answer. A distinction should be made between the essay type question used to measure knowledge and the essay type question employed to test writing skills in languages, which is called a composition test. In order to use essay questions effectively, it is important to understand the following advantages, limitations and common misconceptions of essay questions. Without understanding them, educators may use an essay question when another item type would be more appropriate, or educators may grossly underestimate what would be required to effectively use essay questions. Although essay questions are one of the most commonly used methods for assessing student learning, many are poorly designed and ineffectively used. Writing effective essay questions requires training and practice. There are subtle characteristics of effective essay questions that are often difficult to discern for those without adequate training.

Essay tests enable you to judge students' abilities to organize, integrate, interpret material, and express themselves in their own words. Research indicates that students study more efficiently for essay-type examinations than for selection (multiple choice) tests: students preparing for essay tests focus on broad issues, general concepts, and interrelationships rather than on specific details, and this studying results in somewhat better student performance regardless of the type of exam they are given (McKeachie, 1986). Essay tests also give you an opportunity to comment on students' progress, the quality of their thinking, the depth of their understanding, and the difficulties they may be having. However, because essay tests pose only a few questions, their content validity may be low. In addition, the reliability of essay tests is compromised by subjectivity or inconsistencies in grading. A variation of an essay test asks students to correct mock answers. One faculty member prepares a test that requires students to correct, expand, or refute mock essays. Two weeks before the exam date, he distributes ten to twelve essay questions, which he discusses with students in class. For the actual exam, he selects four of the questions and prepares well written but intellectually flawed answers for the students to edit, correct, expand, and refute. The mock essays contain common misunderstandings, correct but incomplete responses, or absurd notions; in some cases the answer has only one or two flaws. He reports that students seem to enjoy this type of test more than traditional examinations.

According to John M. Stalnaker (1951, p.495) "A test item which requires a response composed by the examinee, usually in the form of one or more sentences, of a nature that no single response or pattern of responses can be listed as correct, and the accuracy and quality of which can be judged subjectively only by one skilled or informed in the subject.

"Essay test is a test that requires the student to structure a rather long written response up to several paragraphs." (William weirsama)

Based on Stalnaker's definition, an essay question should meet the following criteria:

- Requires examinees to compose rather than select their response.
- Elicits student responses that must consist of more than one sentence.
- Allows different or original responses or pattern of responses.
- Requires subjective judgment by a competent specialist to judge the accuracy and quality of responses.

Multiple-choice questions, matching exercises, and true-false items are all examples of selected response test items because they require students to choose an answer from a list of possibilities, whereas essay questions require students to compose their own answer. However, requiring students to compose a response is not the only characteristic of an effective essay question. There are assessment items other than essay questions that require students to construct responses (e.g., short answer, fill in the blank). Essay questions are different from these other constructed response items because they require more systematic and in-depth thinking. An effective essay question will align with each of the four criteria given in Stalnaker's definition and provide students with an indication of the types of thinking and content to use in responding to the essay question.

There are many abilities which may not be tested through any other form of question but only by the essay type question. These abilities are:

- To select relevant facts from the body of acquired knowledge.
- To identify and also establish relationships between various aspects of knowledge.
- To weigh the proof with respect to implications of the gathered information.

- To organize, analyse, interpret facts and other types of information to draw inferences.
- To adopt an indigenous or original approach to solve a given problem.
- To defend one's point of view through facts, data and suitable arguments.
- To critically examine the degree of adequacy, accuracy and relevance of the available information in a given situation.
- To demonstrate internalized attitude towards problems and issues.
- To appreciate a problem at both the macro and micro levels.
- To conceive, design and suggest new and innovative approaches for tackling a given problem.

8.7.2 Features of Essay Test

Following the features of essay type test:

i Variation in Response

The length of the required responses varies with reference to marks and time for e.g. B.Ed papers where there are 10marks, 5marks and 3 marks questions so the length of the answers varies accordingly. For 10marks, it needs to be completed within 15-20min for each 3marks; 5min is maximum so accordingly the length of answers varies with reference to time.

ii Subjective judgment

It demands a subjective judgment. Judgment means making judgment or assessing whereas subjective means not fair enough i.e. it differs from person to person i.e. criteria of writing the statement of specification. In that, we are supposed to give each criterion along with the examples. Some may write only criteria and others may write criteria along with the examples, accordingly the marks or grades are given depending on the degree of quality, correctness and completeness of the answers.

iii Most familiar and widely used

Essay has become a major part of a formal education. Secondary students are taught structured essays format to improve their writing skills. Magazines or newspapers essays use many of the same type of essays as like academic essays. Even employment essays detailing our experience in a certain occupational fields are required when applying for some jobs, especially government jobs. So it is most familiar and most widely used.

8.7.3 Advantages of Essay Type Test

Following are the advantages of essay type test:

i Assess higher-order or critical thinking skills

Essay questions provide an effective way of assessing complex learning outcomes that cannot be effectively assessed by other commonly used paper-and-pencil assessment procedures. In fact, some of the most complicated thinking processes can only be accessed through essay questions, when a paper-and-pencil test is necessary (e.g., assessing students' ability to make judgments that are well thought through and that are justifiable).

ii Evaluate student thinking and reasoning

Essay questions require students to demonstrate their reasoning and thinking skills, which gives teachers the opportunity to detect problems students may have with their reasoning processes. When educators detect problems in students' thinking, they can help them overcome those problems.

iii Provide authentic experience.

Constructed responses are closer to real life than selected responses. Problem solving and decision-making are vital life competencies. In most cases these skills require the ability to construct a solution or decision rather than select a solution or decision from a limited set of possibilities.

8.7.4 Disadvantages of Essay Type Questions

Following are the limitation of essay type questions:

i Assess a limited sample of the range of content

Due to the time it takes for students to respond to essay questions and for graders to score responses, the number of essay questions that can be included in a test is limited. Thus, essay questions necessitate testing a limited sample of the subject matter, thereby reducing content validity. A test of 80 multiple-choice questions will most likely cover a wider range of content than a test of 3-4 essay questions.

ii Difficult and time consuming to grade

Answers to essay questions are likely to be graded less reliably than other types of test questions and take considerable time to grade. One of the advantages of essay questions is that they allow students some latitude in formulating their responses. However, this advantage comes at the cost of time spent scoring and reliability in scoring. Different readers may vary in their grading of the same or similar responses (inter scorer reliability) and one reader can vary significantly in his grading consistency depending on many factors (intra scorer reliability). Therefore, essay answers of similar quality may receive notably different scores. Gender and ethnic bias, the length and legibility of the response, and the personal preferences of the grader with regards to the content and structure of the response are some of the factors that can lead to unreliable grading.

iii Provide practice in poor or unpolished writing

The way in which students construct their responses to essay questions differs in several ways from real-world writing tasks. Ebel and Frisbie (1986) point out that “the practice that essay tests give in writing may be practice in bad writing—hasty, ill considered, and unpolished.

iv Subjectivity of scoring

If all students are writing same answer of one question, why they get different marks? In essay test answer of question are scored differently by different teacher. Even the same teacher scores the answer differently at different times.

v Halo effects

It means teacher knows the particular student very well and has good impression because of his previous paper and writing skills.

vi Mood of the examiner

The general feeling of all students after writing your S.S.C board paper what you had discussed with your friend. The teacher who is checking my paper has not quarrelled with some”

vii Ambiguous wording of the question

Sometime essay questions are so worded that students do not know the exact implications of the questions.

viii Examiner contaminated by various factors

The examiner is contaminated by various factors like hand writing, spelling, grammar etc some students who has good verbal knowledge may write many things on an essay topic.

Check Your Progress- 3

Note: a) Answer the questions given below.

b) Compare your answers with those given at the end of this lesson.

Fill in the blanks

- (i) test requires the examinee to write a sentence, a paragraph or longer passages.
- (ii) Written test requires..... judgment by a competent specialist to judge the accuracy and quality of responses.
- (iii) The marks or grades in written test are depends on the degree of quality, and completeness of the answers.
- (iv) Essay type test has become a major part of a education.

- (v) Where teacher knows the particular student very well and has good impression because of his previous paper and writing skills is known as. effect.
- (vi) Essay questions provide an effective way of complex learning outcomes.

8.8 OBJECTIVE TYPE TESTS

Objective tests are those which have a pre-determined scoring key and which have a minimum, or absolutely no chance of being influenced by the personal judgment. Simply, an objective type test is one which is free from any subjective bias either from the tester or the marker. It refers to any written test that requires the examinee to select the correct answer from among one or more of several alternatives or supply a word or two and that demands an objective judgement when it is scored. Objective-type tests have two characteristics viz.:

- i They are pin-pointed, definite and so clear that a single, definite answer is expected.
- ii They ensure perfect objectivity in scoring. The scoring will not vary from examiner to examiner.
- iii It takes less time to answer as compared to essay type test
- iv They provide quantifiable and correct results.
- v Response options are structured such that examinees have limited set of options.

8.8.1 Types of Objective Tests

There are various types of objective tests in use. Some of the commonly used tests are discussed below.

i. Completion test

Reading and recall can be tested by the completion tests. These tests require the students to complete a given item by filling in the correct word or words. The item can be answered immediately if the specific information is known to the student.

ii. True-False tests

In these tests, the students judge the correctness of given statements by indicating “True or False”. These tests are useful for testing the students knowledge of simple ideas and facts (comprehension). In such tests, each statement should contain only one idea, or fact. Otherwise it would be impossible to judge the correctness of the statement, particularly when one part of the question can be answered as “True” and the other as “False”. Simplicity in thought and language is essential for these tests.

iii. Multiple choice tests

In this type of tests, the students are required to choose the right answer from several given answers. The most common pattern in Multiple-Choice Tests is the use of a “Stem” which sets the question followed by several alternative answers. This stem contains the central concept, the knowledge of which is being tested in the student. All suggested answers from which the correct one has to be chosen should be related to the stem and they should also be grammatically correct. These type of questions are bit laborious to construct but nearly, all labour is taken out of marking. Hence they are very attractive particularly when large number of students are to be tested.

iv. Matching item tests

These normally consist of a column or set of items and a column or a set of alternatives. Each item in the first to be matched or paired with the correct alternative in the second. Matching tests are used in testing vocabulary, structure and sentence completion, simple factual information and in testing knowledge of content in achievement tests.

8.8.2 Merits of Objective Type Test

An essay test may be objective-centered or objective-based, though it may be difficult to score it objectively. An objective type test, on the other hand, can always be scored objectively, though it may not be objective-centered if it is not planned with reference to the objectives of instruction.

- i Objective type test gives scope for wider sampling of the content.
- ii It can be scored objectively and easily. The scoring will not vary from time to time or from examiner to examiner.
- iii This test reduces (a) the role of luck and (b) cramming of expected questions. As a result, there is greater reliability and better content validity.
- iv This type of question has greater motivational value.
- v It permits stencil, machine or clerical scoring. Thus scoring is very easy.
- vi Linguistic ability is not required.

8.8.3 Limitations of Objective Type Test

- i Objectives like ability to organise matter, ability to present matter logically and in a coherent fashion, etc., cannot be evaluated.
- ii Guessing is possible. No doubt the chances of success may be reduced by the inclusion of a large number of items.
- iii It possesses economy of time, for it takes less time to answer than an essay test. Comparatively, many test items can be presented to students. It also saves a lot of time of the scorer.
- iv It eliminates extraneous (irrelevant) factors such as speed of writing, fluency of expression, literary style, good handwriting, neatness, etc.
- v It measures the higher mental processes of understanding, application, analysis, prediction and interpretation.
- vi If a respondent marks all responses as correct, the result may be misleading.
- vii Construction of the objective test items is difficult while answering them is quite easy.
- viii They demand more of analysis than synthesis.
- ix Linguistic ability of the testee is not at all tested.
- x Printing cost considerably greater than that of an essay test.

Check Your Progress- 4

Note: a) Answer the questions given below.

b) Compare your answers with those given at the end of this lesson.

Fill in the blanks

- (i).....type of test refers to any written test that requires the examinee to select the correct answer from among one or more of several alternatives.
- (ii) Objective tests ensure perfect objectivity in.....
- (iii) tests require the students to complete a given item by filling in the correct word or words.
- (iv) These tests are useful for testing the students knowledge of simple
- (v) item test consist of a column or set of items and a column or a set of alternatives.
- (vi) Objective type test gives scope for wider of the content.
- (vii) If a respondent marks all responses as correct, the result may be.....
- (viii) ability of the testee is not at all tested in objective type test.

8.9 QUIZZES

A quizzes consists of a series of assessment items of various types. It is a planned repository of test items to be used by teachers, parents, evaluators and students. It is an inbuilt feedback mechanism for improvement of test items. Questions from the quizzes are pooled for the measurement of pupils' achievement. Questions from the quizzers are used for development for the revision purposes as well as for diagnosing the pupil's difficulties. It simply understand storage, credit and debit not more than this and that. refers to a process in which assessment items are systematically retained, stored, restored and whenever there is a need of these items, they are used and reused for assessment purpose. The quizzers is designed to fulfill certain predetermined purposes. Its effective

and efficient functioning requires genuine cooperative, collaborative and committed efforts. Its major focus is improvement of teaching-learning process. Questions from the quizzer are used for formative as well as summative assessment. During the transaction of lesson, questions play a significant role from the beginning to the end of lesson e.g. questions have the role from pre-active stage to post-active stage through interactive stage.

8.9.1 Advantages of quizzes

Following are the advantages of quizzes:

- i. Quizzer helps in the development of a lesson.
- ii. Quizzer helps evaluator for reference purpose.
- iii. Quizzer helps in avoiding repetition of questions in specific subjects.
- iv. It saves time, energy and labour in one-way or other.
- v. Previous questions help teachers, evaluators for preparation of new set of question papers.
- vi. It helps students in self evaluation and peer evaluation.
- vii. It provides wide range of ideas to the paper setter for preparation of questions.
- viii. It helps in finding out the reliability and validity of newly framed questions with response to specific subject.
- ix. It helps in avoiding the repetition of questions from time to time as well as helps to maintain the standard of question papers.

8.10 LET US SUM UP

It can be concluded that diagnostic testing and remedial instruction are like two sides of the same coin. Remedial instruction is a dynamic aspect of diagnostic testing. In this lesson, you have learnt about diagnostic testing which is the most important part of the teaching-learning process. It implies a detailed study of learning difficulties. Its aim is to analyze, not to assess. The nature and purpose of diagnostic testing is to identify the areas of difficulties where the learner commits errors. The stages of diagnostic testing are: identifying the students who need help, locating the error/learning difficulties, discovering the causal

factors. After locating the area where the difficulty lies, as a teacher you will devise some strategy to remove problems in learning and the causes due to which the learner has faced the difficulties. The strategy used by you to remove the weakness of the learner is known as remedial teaching. Diagnostic Testing leads to remedial teaching in which you have to prepare instructional material for quality learning, adopting different methodologies as per needs of the individual or a particular group. The evaluative tests used by teachers to assess the achievement of the students may be either oral or written. Oral tests are integral part of school examination system and a supplementary tool to the written test.

8.11 LESSON END EXERCISE

Answers the following questions:

- Q1. Define diagnostic testing? Explain the nature and purpose of diagnostic testing?
- Q2. What is remedial teaching? What are the essentials of remedial teaching?
- Q3. Differentiate between oral type test and written type tests.
- Q6. Explain in brief Quizzes and Essay type test.
- Q7. What is Objective type test? Explain the merits and limitations of Objective type test.

8.12 SUGGESTED FURTHER READINGS

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8.13 ANSWERS TO CHECK YOUR PROGRESS

Check Your Progress-1

- i Assess
- ii Detailed
- iii Located, analysis
- iv Identity
- v Errors
- vi Remedial Classes
- vii Strengths, Weaknesses

Check Your Progress-2

- i Subjective
- ii Scoring key
- iii Oral
- iv Questioning

- v Written
- vi Analyse
- vii Teaching-learning
- viii Time consuming

Check Your Progress-3

- i Written
- i Subjective
- ii Correctiveness
- iv Formal
- v Halo
- vi Assessing

Check Your Progress-4

- i Objective
- ii Scoring
- iii Completion
- iv Ideas and facts
- v Matching
- vi Sampling
- vii Misleading
- viii Linguistic

**COMMERCIAL ORGANIZATIONS : SOLE TRADE, HUF,
PARTNERSHIP, COMPANIES**

STRUCTURE

- 9.1 Introduction
- 9.2 Objectives
- 9.3 Commercial Organization: Meaning
- 9.4 Sole Trade
 - 9.4.1 Advantages of sole trade
 - 9.4.2 Disadvantages of sole trade
- 9.5 HUF- Hindu Undivided Family
 - 9.5.1 Features of HUF
 - 9.5.2 Advantages of HUF
 - 9.5.3 Disadvantages of HUF
- 9.6 Partnership
 - 9.6.1 Advantages of business partnership
 - 9.6.2 Disadvantages of business partnership
- 9.7 Companies

- 9.7.1 Advantages of company form of organization
- 9.7.2 Disadvantages of company form of organization
- 9.8 Let Us Sum Up
- 9.9 Lesson End Exercise
- 9.10 Suggested Further Readings
- 9.11 Answers to Check Your Progress

9.1 INTRODUCTION

Launching your own business can be an exciting experience. You'll have a chance to create meaningful connections, build a loyal clientele and create your own brand. Depending on your industry and goals, you could change people's lives and make a difference in your community. Before getting started, decide whether you want to form a non-profit or a for-profit entity.

There are different types of legal entities, and each has distinctive traits. If your goal is to make a profit, it's necessary to form a business entity so you can provide goods or services to customers in exchange for money. A non-profit organization, by contrast, aims to raise awareness for a specific cause. Its funds are used to support that particular cause or viewpoint.

Business entities can be divided into several categories based on their size, legal structure and other criteria.

When researching the different types of commercial organizations, you may see the term "commercial work" mentioned in various documents and legal papers. This term refers to any kind of work or activity that is done for profit.

A non-profit organization, on the other hand, doesn't engage in commercial activities when selling crafts or other goods. The money earned from its activities is used to cover its expenses and support its cause. Unlike commercial organizations, charities don't generate profits for their founders or shareholders.

9.2 OBJECTIVES

After going through this lesson, you shall be able to:

- explain the meaning of commercial organization along with its design,
- describe the meaning and function of different commercial organizations,
- delineate the advantages and disadvantages of sole trade, huf, partnership, and company form of organization, and
- bring out the difference between all forms of commercial organizations.

9.3 COMMERCIAL ORGANIZATION

Meaning:

A commercial organization is any business that sells goods or services for the purpose of making a profit. If you want to form a commercial organization, find out everything you need to know to decide if it is the right choice for your business.

Definition of a Commercial Organization

An organization is a group of people who work together on a set of common goals. If the main goal of the organization is to earn a profit from the sale of products and services, it is a commercial organization. This type of organization distributes any income that remains after paying all business expenses to employees and investors or reinvests it into the company.

For the purposes of federal tax collection, a commercial organization is an incorporated business. As such, each member of the organization benefits from limited-liability protection. In addition, the organization maintains full control over how much of its profits it will retain or distribute to shareholders.

A commercial organization is a group with a particular set of skills, resources or priorities in place geared toward turning a profit. The residual income left after deducting expenses is available to be distributed to employees or shareholders or reinvested back into the company at management's discretion.

There are six types of business organizations for the purposes of collection of federal taxes. Business organizations are commercial or industrial enterprises and the people who constitute them. Commercial organizations are incorporated businesses. The shareholders have limited-liability protection, and such organizations have full discretion in terms of determining the amount of profit that is distributed or retained and are presumed to be entities established for purposes of making profits.

Sole proprietors are unincorporated businesses, which are the easiest form of business to set up. Partnerships are unincorporated businesses, and income obtained is credited to the partners even if the partnership decides to retain some or all of the net income. Trusts are formed upon the death of an individual for the purpose of providing continuity of the investments and business activities of the deceased. Non-profit organizations are formed for civic, charitable and artistic purposes. Such organizations are exempted from paying federal or state taxes.

Strategic Management

The leaders of an organization are responsible for strategic management. In a commercial organization, this process involves delegating tasks and responsibilities, establishing short-term and long-term business goals, and implementing strategies to achieve the business goals.

Functions of an Organization

Within an organization and industry, there are various roles and departments. To operate effectively, they are often divided by function. Some organizations divide their companies by location. For example, some national companies divide their business by region and international companies by continent. In other cases, an organization may divide its business by process. Examples of processes include refining, exploration, and production. For the best results, most organizations use a mix of techniques to divide their companies.

Commercial Organization Design

Designing a commercial organization presents unique challenges for both leaders and employees. The sales and marketing functions have a direct impact on customers so it is important their design creates both a superior customer experience and differentiated marketplace value for the company.

To stand out from the competition, every member of a commercial organization must understand what makes their company unique and have the skills to deliver differentiation based on their role. For this reason, it is important to consider marketplace differentiation when making design choices for an organization. To achieve market differentiation, there are four main points to keep in mind. They are:

Market position

Market segmentation

Complexity

Sales behaviours

Market Positioning

In order to gain a customer's attention, a commercial organization must offer cost-effective and efficient solutions. It is also vital to create a distinct and meaningful experience customers will remember for a long time. Nurturing an emotional connection with a customer helps take the business to the next level. To guide market position, commercial organizations should ask themselves the following questions:

How can you win over customers?

What needs does your target audience have?

How can you fulfil those needs in a way no one else can?

How will customers buy your organization's offerings?

Would offering fewer products and services improve other parts of your business?

How much are your customers willing to spend on your unique products and services?

Market Segmentation

Not all customers are the same. Most businesses consider the various wants and needs of their customers and cater to just two or three different personas. Think about the unique traits of each persona and how you can tailor your business to meet their specific needs.

By designing your stores or channels to fit multiple personas, you can differentiate your brand to appeal to each one.

Streamlining Complexity

Complexity is a major challenge for many organizations. It appears in a variety of ways, such as catering to a range of personas or having a long list of product offerings. When deciding how to deal with market complexity, organizations must analyse which factors they can group together and which ones should stay separate. Doing so will help prevent the organization from becoming too complex and ensure a positive customer experience.

Aligning Sales Behaviours

Once you have simplified your organization, all sales or customer-facing team members need to know their roles and responsibilities. Ensure any changes you make to the design of your sales team take into account the different personas your company serves, as well as the metrics, work processes, training, and skills your team needs to support the customer experience.

There are many factors to consider before you form a commercial organization. Knowing what they are can help you make the best choice for your business.

Types of Commercial Organization

A commercial business organization can have public or government ownership, private individual ownership or a mix of both. It can be further broken down into several categories, such as limited-liability companies, corporations, partnerships and others.

The meaning of a commercial organization is broad and can include everything from small businesses to private and public limited companies. Charities, however, are not commercial, so they don't fall under this category.

Limited liability entities, for instance, are commercial organizations that limit owners' liability to their investment in the business. This category includes corporations and limited liability companies or LLCs.

Unlimited liability organizations, such as sole proprietorships and general partnerships, hold the business owner liable personally for debt, wrongful acts, and negligence and so on. In a partnership, for example, each partner has total and unlimited personal liability.

9.4 SOLE TRADE

A sole trader business has many advantages and disadvantages. However, it's easy to set up and is most favoured by "one man bands" who offer household services. These tradesmen are self-employed as the sole owner of the business concerned.

The business is classed as a micro-business, small business or SME, as they only have one employee who is the owner of the company.

Example sole trader businesses include electricians, gardeners, plumbers, decorators and plasterers who are all traditional trades and easy for a skilled tradesman to operate. They will mainly work on word of mouth marketing and work for domestic households. There are others who set up a limited company and regulated under IR35 legislation. It's also best to seek professional advice before making a decision for your future.

Definition of a Sole Trader

A sole trader or sole proprietor is a business owned and controlled by one person who takes all the decisions, responsibility and profits from the business they run.

9.4.1 Advantages of Sole Trade

Many of the advantages are summed up under the heading "control".

- You have full control over daily and strategic decision making.
- There's far less red tape and regulations than a Limited Company.
- You have no staff to manage or pay.
- Starting your business is quick and easy.
- All financial data is kept private.
- No annual accounts to prepare as sole traders add income and expenses to their tax return.

Here they are in more detail:

Full Control

The advantages of being a sole trader are immense not least because the owner has full control over the business for daily operations as well as how large they wish to grow it. It's easy to set yourself up as you only need to declare to yourself you are going to be a business. You're legally required to inform the Inland Revenue you are self-employed within three months of starting a business.

Less "Red Tape" and Regulations

A sole trader does not need to complete many of the forms and accounting information that limited companies need to produce. Annual accounts help prepare your annual self-assessment tax return where you declare your annual profits and tax liability.

No Staffing Management Required

As there are no staff on hand the owner also takes all of the profits made by the business, and all financial information is kept private. Limited companies need to file full or abbreviated accounts each year at companies house. You don't need to register a company at all and can trade as any name you desire so long as it doesn't infringe copyright of others. Most people operating in this manner have businesses that have "trading as" after their company name.

Fast Decision Making

Decision making is also fast as it's just the owner who decides where the business is heading and whether or not to undertake any work and where and when they will work. They are generally closer to their customers and offer a more personalised approach and improved customer service as they are the person each customer has contact with.

Lower Accounting Costs

Accountants generally charge less for company accounts and advice because there is less work to undertake. You just need to complete a profit and loss account rather than a balance sheet and cash flow (although it's worth preparing these last two on a regular basis to manage your business).

9.4.2 Disadvantages of Sole Trade

The negative aspects of operating on your own are that everyone else perceives you as “small” which in turn has other consequences.

- You have full personal liability for any debts.
- It may be difficult to bid and accept larger contracts.
- There’s no staff to delegate to if you have an accident or fall ill.
- It’s difficult to scale a business on your own.
- You can’t leverage buying power due to your small size.
- You have to buy-in knowledge and expertise if you don’t have it yourself.

Below is more detail about these disadvantages.

Full Financial Liability if Things go Wrong

The main disadvantage is that you, as the owner of the business, are solely liable for any consequences of business failure or any other liability. For example, injuring a customer or damaging property, although public liability insurance can mitigate these potential issues.

Others Portray You as a Small Company

It may also be quite difficult to get larger jobs. Not only because large corporations have many staff that can work on tenders and offers, but because most organisations won’t work with a business that only has a staff of one. It can also be time-consuming following up on tenders that ultimately don’t come to fruition.

The Business Stops if You are Unable to Work

You may also need to think about what would happen if you as the business owner were to become sick or had an accident so you couldn’t work. Although critical illness insurance is available, sometimes it doesn’t start to pay until after one month. It’s also unlikely to be at the levels of profits the business is making, but it’s certainly worth considering.

Tax VAT and Liability

Sole traders still need to properly account for all sales, expenses and profits for any income tax and National Insurance liabilities on a yearly basis. The VAT rules still apply if the turnover of the business exceeds the limit set by HMRC.

As mentioned above, a sole trading business has unlimited personal liability rather than the liability forming against a company and their directors. If the business can't pay its creditors they may have to sell their personal assets to meet their demands, such as their house.

Check Your Progress- 1

Note: a) Answer the questions given below.

b) Compare your answers with those given at the end of this lesson.

i) Enlist a few advantages of Sole Trade type of Commercial Organization.

ii) Give a few negative aspects of operating a sole trade business.

9.5 HUF – HINDU UNDIVIDED FAMILY

The Joint Hindu Family Business or the Hindu Undivided Family (HUF) is a unique type of business entity. It is governed and dictated by the Hindu Law, which is one of the several religious laws prevalent in India.

So who all are members of such an organization? Well, any person born into the family (boy or girl) up to the next coming three generations is a part of the HUF. These members are the co-parceners. The head of such a Joint Family Business is the eldest member of the family, the "Karta". He is the main person responsible for the business and the finances.



Hindu Undivided Family

There are two systems of the HUF, namely

- **Dayabhaga System:** Here both male and female members will be co-parceners in the Hindu Undivided Family
- **Mitakashara System:** Here only the male family members are admitted into the HUF, the female members have no share.

But the government of India has amended the Hindu Succession Act to make sure both male and female members have equal rights on ancestral properties.

9.5.1 Features of a HUF

The joint Hindu form of business has following features:

- **Formation:** To begin a Hindu Undivided Family there must be a minimum of two related family members. There must be some assets, business or ancestral property that they have inherited or will eventually inherit. The formation of a HUF does not require any documentation and admission of new members is by birth.
- **Liability:** The liability of all the various co-parceners is only up to their share of the property or business. So they have limited liability. But the Karta being the head of the HUF has unlimited liability.
- **Control:** The entire control of the entity lies with the Karta. He may choose to confer with the co-parceners about various decisions, but his decision can be independent. His actions will be final and also legally binding.
- **Continuity:** The HUF can be continued perpetually. At the death of the Karta, the next eldest member will become the Karta. However, keep in mind a Hindu Undivided Family can be dissolved if all members mutually agree.

- **Minority:** As we saw earlier the members are eligible to be co-parceners by the virtue of their birth into the family. So in this case, even minor members will be a part of the HUF. But they will enjoy only the benefits of the organisation.

9.5.2 Advantages of the HUF

- A Hindu Undivided family is comprised of family members running a business. Like any other organisation, there is scope for disagreements and conflicts. But since the Karta has absolute power and takes all decisions by himself, it will lead to effective management.
- Just like a company, the existence of a HUF is perpetual. The death or retirement of one member of even the Karta will not affect it, and it will continue on.
- Since the co-parceners do not have any effective control over the management of the HUF, and all power lies with the Karta, the liability of the members has also been limited to only their share of the property. This keeps the balance between power and responsibility.
- Also since all members of the HUF are relatives and members of the same family, there is a sense of loyalty and cooperation. The trust among members is also there and leads to overall cooperation.

9.5.3 Disadvantages of the HUF

- No outside members other than family members can be introduced to the HUF. This makes it very difficult to get additional capital from the market. With limited capital, the chances of expansion are very low. It limits the scope of the business.
- While the Karta has all the power he also has the burden of unlimited liability. This may make him overly cautious and timid in his business dealings. In turn, the business could suffer. Another factor is that he may even be held responsible for the actions of other members.
- Also, the absolute dominance of the Karta over all business and financial decisions may cause conflict among the HUF. His decisions and business acumen may be questioned by other members, and cause issues within the HUF.

- Another issue may be that the Karta may not be the most qualified person to lead the business. The position is given to the senior most family member, whether he is the most qualified or not is not taken into consideration.

<p>Check Your Progress- 2</p> <p>Note: a) Answer the questions given below.</p> <p>b) Compare your answers with those given at the end of this lesson.</p> <p>1) Explain the two systems of HUF?</p>
<p>2) Describe the features of HUF?</p>

9.6 PARTNERSHIP

In a broad sense, a partnership can be any endeavour undertaken jointly by multiple parties. The parties may be governments, non-profits enterprises, businesses, or private individuals. The goals of a partnership also vary widely.

Within the narrow sense of a for-profit venture undertaken by two or more individuals, there are three main categories of partnership: general partnership, limited partnership, and limited liability limited partnership.

In a general partnership, all parties share legal and financial liability equally. The individuals are personally responsible for the debts the partnership takes on. Profits are also shared equally. The specifics of profit sharing will almost certainly be laid out in writing in a partnership agreement.

When drafting a partnership agreement, an expulsion clause should be included, detailing what events are grounds for expelling a partner.

Limited liability partnerships are a common structure for professionals, such as accountants, lawyers, and architects. This arrangement limits partners' personal liability so that, for example, if one partner is sued for malpractice, the assets of other partners are not

at risk. Some law and accounting firms make a further distinction between equity partners and salaried partners. The latter is more senior than associates but does not have an ownership stake. They are generally paid bonuses based on the firm's profits.

Limited partnerships are a hybrid of general partnerships and limited liability partnerships. At least one partner must be a general partner, with full personal liability for the partnership's debts. At least one other is a silent partner whose liability is limited to the amount invested. This silent partner generally does not participate in the management or day-to-day operation of the partnership.

Finally, the awkwardly-named limited liability limited partnership is a new and relatively uncommon variety. This is a limited partnership that provides a greater shield from liability for its general partners.

9.6.1 Advantages of a business partnership

The business partnership offers a lot of advantages to those who choose to use it.

1 Less formal with fewer legal obligations

One of the main advantages of a partnership business is the lack of formality compared with managing a limited company.

The accounting process is generally simpler for partnerships than for limited companies. The partnership business does not need to complete a Corporation Tax Return, but you'll still need to keep records of income and expenses. A partnership tax return must be submitted to HMRC and each partner will need to file their own self-assessment tax return including details of their profits from the partnership (as well as any other income).

Unlike a limited company, you don't need to complete a confirmation statement and the plethora of other possible Companies House forms that a limited company may need to submit will never be required for the partnership. There are also fewer records to maintain: in particular, a business partnership does not need to maintain a set of statutory books like a limited company has to.

Unless a formal partnership agreement has been drawn up, a partnership business can easily be dissolved at any time: this gives each partner the freedom to choose to leave if they wish to.

2 Easy to get started

The partners can agree to create the partnership verbally or in writing. There's no need to register with Companies House and registering the business partnership for taxation with HMRC is quite simple. The partners will also individually need to register for self assessment, which they can do online.

Although it will take longer and incur additional cost, it's usually sensible to put in place a partnership agreement. This documents how the partnership will work, the rights and responsibilities of partners and what would happen in various possible situations, including if the partners fundamentally disagree or someone wants to leave.

3 Sharing the burden

Compared to operating on your own as a sole trader, by working in a business partnership you can benefit from companionship and mutual support. Starting and managing a business alone can feel stressful and daunting, particularly if you've not done it before. In a partnership, you're in it together.

4 Access to knowledge, skills, experience and contacts

Each partner will bring their own knowledge, skills, experience and contacts to the business, potentially giving it a better chance of success than any of the partners trading individually.

Partners can share out tasks, with each specialising in areas they're best at and enjoy most. So if one partner has a financial background, they could focus on maintaining the company books, while another may have previously worked extensively in sales and therefore take ownership of that side of the business. As a sole trader, by contrast, you'd have to do all of this yourself (or manage someone you employ to do some of it).

5 Better decision-making

Compared with operating on your own, in a partnership the business benefits from the unique perspective brought by each partner. In business, very often two heads really are better than one, with the combined conclusion of debating a situation far better than what each partner could have achieved individually.

6 Privacy

Compared to a limited company, the affairs of a partnership business can be kept confidential by the partners. By contrast, in a limited company certain documents are available for public inspection at Companies House and a company's shareholders can choose to inspect various registers and other documents the company is required to keep.

7 Ownership and control are combined

In a limited company, ownership and day to day management of the business is split between shareholders and directors (although they're often the same people). That can mean that directors are constrained by shareholder preferences in pursuing what they see as the best interests of the business.

By contrast, in a business partnership, the partners both own and control the business. As long as the partners can agree how to operate and drive forward the partnership, they're free to pursue that without interference from any shareholders. This can make a partnership business potentially more flexible than a limited company, with the ability to adapt more quickly to changing circumstances.

8 More partners, more capital

The more partners there are, the more money there may be available from their combined resources to invest into the business, which can help to fuel growth. Together, their borrowing capacity is also likely to be greater.

9 Prospective partners

As a sole trader, while you can employ staff, it's not really possible to bring someone on board to manage the business alongside you. Employees will always believe you'll be the one running the business and good people may be demotivated if they feel, as far as their own career is concerned, there's "nowhere to go".

By contrast, it's usually possible to admit a new partner into a general partnership. Good staff may be attracted to the business with the incentive that they could become a partner, either when they join or at some point in the future.

10 Easy access to profits

In a business partnership, the profits of the business are shared between the partners. They flow directly through to the partners' personal tax returns rather than initially being retained within the partnership. In a limited company, by contrast, profits are retained by the company until paid out, whether as salaries under PAYE or, with the approval of shareholders, as dividends.

9.6.2 Disadvantages of a business partnership

While there are lots of benefits of a partnership business, this model also carries a number of important disadvantages.

1 The business has no independent legal status

A business partnership has no independent legal existence distinct from the partners. By default, unless a partnership agreement with alternative provisions is put in place, it will be dissolved upon the resignation or death of one of the partners. This possibility can cause insecurity and instability, divert attention from developing the business and will often not be the preferred outcome of the remaining partners.

Even if a partnership agreement is in place, the remaining partners may not be in a position to purchase the outgoing partner's share of the business. In that case, the business will likely still need to be dissolved.

2 Unlimited liability

Again because the business does not have a separate legal personality, the partners are personally liable for debts and losses incurred. So if the business runs into trouble your personal assets may be at risk of being seized by creditors, which would generally not be the case if the business was a limited company.

The partners are jointly and severally liable. As one partner can bind the partnership, you can effectively find yourself paying for the actions of the other partners. If

your partners are unable to settle debts, you'll be responsible for doing so. In an extreme example where you only own 10% of the partnership, if your partners have no assets you might end up having to settle 100% of the debts of the partnership and need to sell your possessions in order to do so.

3 Perceived lack of prestige

Like a sole trader, the partnership business model often appears to lack the sense of prestige more associated with a limited company. Especially given their lack of independent existence aside from the partners themselves, partnerships can appear to be temporary enterprises, although many partnerships are in fact very long-lasting.

This appearance of impermanence, and the fact that the partnership's financials cannot be independently checked at Companies House, can appear to present more risk. Because of this, some clients (more so in certain industries) will prefer to deal with a limited company and even refuse to transact with a partnership business.

4 Limited access to capital

While a combination of partners is likely to be able to contribute more capital than a sole trader, a partnership will often still find it more difficult to raise money than a limited company.

Banks may prefer the greater accounting transparency, separate legal personality and sense of permanence that a limited company provides. To the extent that a partnership business is seen as higher risk, a bank will either be unwilling to lend or will only do so on less generous terms.

Several other forms of long-term finance are not available to partnerships. Most importantly, they cannot issue shares or other securities in exchange for investment in the way a limited company can.

5 Potential for differences and conflict

By going into business as a general partnership rather than a sole trader, you lose your autonomy. You probably won't always get your own way, and each partner will need to demonstrate flexibility and the ability to compromise.

There will be the potential for differences, large or small, with other partners. These might relate to:

- The strategic direction in which the business should go (or how to get there)
- How to handle any number of discrete business issues that may arise
- Different views on how partners should be rewarded when they put different amounts of time, skills and level of investment into the business
- Ambition. Some may want to dedicate every waking moment to growing and developing the business, while others may want a quieter life

6 Slower, more difficult decision making

Compared to running a business as a sole trader, decision-making can be slower as you'll need to consult and discuss matters with your partners. Where you disagree, time will be spent negotiating to build agreement or consensus. Sometimes this might mean opportunities are missed. More often, it will frustrate a partner who has been used to making all the decisions for their business.

7 Profits must be shared

At a basic level, while a sole trader retains all the profits of their business, those of a partnership are shared amongst the partners. By default, under the Partnerships Act 1890, profits are shared equally, although that position can be amended by a partnership agreement.

Sharing profits equitably can raise difficult questions. How do you value different partners' respective skills? What happens when one partner is seen to be putting in less time and effort into the partnership, but still taking their share of the profits? It's easy for resentment to occur if there doesn't appear to be a fair balance between effort and reward.

8 Personally demanding

Although there's at least one other person to share the worry and workload with, in a partnership business the partners still essentially are the business. It can absorb a lot of time and energy and disrupt your work/life balance, particularly where you end up covering for other partners who don't have such a strong work ethic. By contrast, in a limited company it's easier for the owners of the business – its shareholders – to appoint directors to manage the business, at least on a day to day basis.

9 Taxation

Historically, if the business made more than a certain level of profit, individuals could incur less tax by withdrawing a combination of salary and dividends under a limited company than they could via partnership drawings. But since changes to the taxation of dividends, this difference is far less marked.

However, a limited company still often presents more tax planning opportunities than a business partnership. With the profits earned by the partnership translated to income on the individual partners, they're subject to income tax in the financial year in which they are made. Profits can't be retained in the partnership to be drawn as income in a later year, when a partner's income (and potentially their marginal tax rate) may be lower.

The tax-efficiency of different business structures depends on your personal circumstances. You should always consult a tax professional, who can offer advice based on your personal circumstances.

10 Limits on business development

Several of the other disadvantages we've looked at combine to restrain the growth of most partnerships. That won't worry a lot of businesses with modest expansion expectations. But for any business looking to achieve massive growth, a combination of unlimited liability, lack of funding opportunities and a lack of commercial status in the eyes of the world is hardly the perfect recipe for success.

The lack of legal personality becomes important here too. Without it, the business cannot own property, enter into contracts or borrow in its own right, difficulties which will become harder to work around as the business grows.

Options for the partners eventually to exit the business and profit from it can be complicated, particularly if it's possible for the departure of one partner at an earlier date to destroy the business. While it's possible for one or more partners to sell their share of the partnership business, exit strategies can be easier to manage within a limited company structure.

Check Your Progress- 3

Note: a) Answer the questions given below.

b) Compare your answers with those given at the end of this lesson.

- 1) In a general partnership, all parties share_____and_____liability equally.
- 2) _____are a common structure for professionals, such as accountants, lawyers and architects.

9.7 COMPANIES

A company is a legal entity formed by a group of individuals to engage in and operate a business—commercial or industrial—enterprise. A company may be organized in various ways for tax and financial liability purposes depending on the corporate law of its jurisdiction.

The line of business the company is in will generally determine which business structure it chooses such as a partnership, proprietorship, or corporation. These structures also denote the ownership structure of the company.

They can also be distinguished between private and public companies. Both have different ownership structures, regulations, and financial reporting requirements.

Key Takeaways

- A company is a legal entity formed by a group of individuals to engage in and operate a business enterprise in a commercial or industrial capacity.
- A company's business line depends on its structure, which can range from a partnership to a proprietorship, or even a corporation.
- Companies may be either public or private; the former issues equity to shareholders on an exchange, while the latter is privately-owned and not regulated.
- A company is generally organized to earn a profit from business activities.

How a Company Works

A company is essentially an artificial person—also known as corporate personhood—in that it is an entity separate from the individuals who own, manage, and support its operations. Companies are generally organized to earn a profit from business

activities, though some may be structured as non-profit charities. Each country has its own hierarchy of company and corporate structures, though with many similarities.

A company has many of the same legal rights and responsibilities as a person does, like the ability to enter into contracts, the right to sue (or be sued), borrow money, pay taxes, own assets, and hire employees.

The benefits of starting a company include income diversification, a strong correlation between effort and reward, creative freedom and flexibility. The disadvantages of starting a company include increased financial responsibility, increased legal liability, long hours, responsibility for employees and administrative staff, regulations, and tax issues. Many of the world's largest personal fortunes have been amassed by people who have started their own company.

Companies can be either public or private, both of which have different ownership structures, rules, and regulations.

Company Types

In the United States, tax law as administered by the Internal Revenue Service (IRS) dictates how companies are classified. Examples of company types in the U.S. include the following:

- **Partnerships** are formal arrangements in which two or more parties cooperate to manage and operate a business.
- **Corporations** are legal entities that are separate and distinct from its owners and provide the same rights and responsibilities as a person
- **Associations** are vague and often misunderstood legal entities based on any group of individuals who join together for business, social, or other purposes as a continuing entity. (This may or may not be taxable depending on structure and purpose.)
- **Funds** are businesses engaged in the investing of pooled capital of investors.
- **Trusts** are fiduciary arrangements in which a third party holds assets on behalf of beneficiaries.

A company may also be described as an organized group of persons—incorporated or unincorporated—engaged in an enterprise.

Company vs. Corporation

In the U.S., a company is not necessarily a corporation, though all corporations can be classified as companies via a variety of structures. For example, U.S. corporate structures include sole proprietorships, general partnerships, limited partnerships, limited liability partnerships, limited liability corporations, S corporations, and C corporations.

A corporation is a type of business that is distinct from its owner. This means they require regular tax filings to be submitted separately from the personal taxes of their owners. Corporate ownership is determined by how much stock its shareholders hold. These shareholders may make decisions on how the company is managed, or they may choose a team of directors to do so.

Some of the most successful corporations in the United States include Amazon, Apple, McDonald's, Microsoft, and Walmart.

The word “company” is synonymous with the word “firm.”

Public vs. Private Companies

Companies can be divided into two distinct categories for both legal and regulatory purposes: Public and private companies.

A public or publicly-traded company allows shareholders to be equity owners when they purchase shares through a stock exchange. Someone who owns a large number of shares has a larger stake in the company compared to someone who has a small number of shares. Shares are first issued through an initial public offering (IPO) before trading begins on a secondary exchange. Apple, Walmart, Coca-Cola, and Netflix are all examples of public companies.

Public companies are held to strict reporting and regulatory requirements by the U.S. Securities and Exchange Commission (SEC). Under these guidelines, companies must file financial statements and reports annually outlining the financial health of the company. This prevents fraudulent reports and activities.

Private companies, on the other hand, are held under private ownership. Although they may issue stock and have shareholders, equity in private companies is not traded on an exchange. They vary in shape and size and are not always bound by the strict regulations and reporting requirements to which public companies must adhere.

These companies do not have to disclose financial information or outlook to the public, giving them more opportunity to focus on long-term growth rather than quarterly earnings. Examples of private companies include Koch Industries, candy maker Mars, car rental company Enterprise Holdings, and accounting firm PriceWaterhouseCoopers.

9.7.1 Advantages of Company form of Organisation:

The company form of organisation has been successful in almost all countries of the world. This form is suitable where large resources are required and the production has to be carried out on a large scale. The number of joint stock companies has shown a phenomenal increase in the twentieth century.

Some of the merits of company form of organization are discussed below:

1. Accumulation of Large Resources:

The main drawback of the sole trade and partnership concerns has been the scarcity of resources. The resources of a sole trader and of partners being limited, these enterprises have always suffered for want of funds. A company can collect large sum of money from large number of shareholders. There is no limit on the number of shareholders in a public company. If need for more funds arises, the number of shareholders can be increased. Joint stock companies are suitable for those businesses where large resources are required.

2 . Limited Liability:

The liability of members in a company form of organisation is limited to the nominal value of the shares they have acquired. If a person has purchased a share of Rs. 100, his liability is limited to Rs. 100 only. If the share is partly paid, then he can be required to pay only the unpaid value of the share. In no case the total payment will exceed Rs. 100. The limited liability encourages many persons to invest in

shares of joint stock companies. Many persons will be reluctant to invest in those enterprises where liability is unlimited.

3. Continuity of Existence:

When a company is incorporated, it becomes a separate legal entity. It is an entity with perpetual succession. The members of a company may go on changing from time to time but that does not affect the continuity of a company. The death or insolvency of members does not in any way affect the corporate existence of the company. The continuity of a company is not only in the interests of the members but is also beneficial for the society. The discontinuation of a company may cause wastage of resources and inconvenience to the consumers.

4. Efficient Management:

In company form of organisation, ownership is separate from management. It enables the company to appoint expert and qualified persons for managing various business functions. The availability of large-scale resources enables the company to attract talented persons by offering them higher salaries and better career opportunities. The efficient management will help the company to expand and diversify its activities.

5. Economies of Large Scale Production:

With the availability of large resources, the company can organise production on a big scale. The increase in scale and size of the business will result in economies in production, purchase, marketing and management, etc. These economies will enable the company to produce goods at a lower cost, thus resulting in more profits. The company will help consumers by providing them with cheaper goods and will also be able to accumulate more resources for further expansion.

6. . Transferability of Shares:

The shares of a public company are freely transferable. A shareholder can dispose of his shares at any time when the market conditions are favourable or he is in need of money. The company does not return share-money before its winding up but shareholders can easily sell their shares through stock exchange markets.

Stock Exchange provides a ready market for the purchase and sale of shares. The facility of transferring shares encourages many persons to invest. This provides liquidity to the investor and stability to the company. On the other hand, partnership form of organisation does not provide free transferability of shares.

7. Ability to Cope with Changing Business Environments:

The present business enterprises operate under uncertain economic and technological environments. Technological changes are taking place every day. The needs of consumers are varied and changing, to cope with the changing economic environment every business is required to invest money on research and developmental programmes. Sole trade concern or partnership firms cannot afford to spend money on research work. Joint stock companies can afford to invest money on research projects. It will enable them to cope with changing business conditions.

8. Diffused Risk:

In sole trade and in partnership business, the risk is shared by a small number of persons. Further uncertainties discourage them from taking up new ventures for fear of risk. In company form of organisation, the number of contributories is large; so risk is shared by a large number of persons. The burden to be shared by different individuals becomes insignificant. It enables companies to take up new ventures.

9. Democratic Set-up:

The values of shares are generally small. It enables persons with low incomes to purchase the shares of companies. Shareholders come from all walks of life. Every individual has an opportunity to become a shareholder. Secondly, the Board of Directors is elected by the members. So members have a say in deciding the policies of the company. The company form of organisation is democratic both from ownership and management side.

10. Social Benefits:

The company form of organisation mobilises scattered savings of the community. These savings can be better used for productive purposes. The companies also enable financial institutions to invest their money by providing them avenues. It also enables the utilisation of natural resources for better productive uses. Large-scale production enjoys a number of economies enabling low cost of production. The society is supplied with enough quantity of goods.

9.7.2 Disadvantages of Company Form of Organisation:

The company form of organisation suffers from the following drawbacks:

1. Difficulty of Formation:

Promotion of a company is not an easy task. A number of stages are involved in company promotion. The suitability of a particular type of business is to be decided first. A number of persons should be ready to associate for getting a company incorporated. A lot of legal formalities are required to be performed at the time of registration. The shares will have to be sold during the particular time. Promotion of a company is both expensive and risky.

2. Separation of Ownership and Management:

The ownership and management of public company is in different hands. The owners i.e., shareholders play an insignificant role in the working of the company. On the other hand, control is in the hands of those who have no stakes in the company. The management may indulge in speculative business activities. There is no direct relationship between efforts and rewards. The profits of the company belong to shareholders and the Board of Directors are paid only a commission. The management does not take personal interest in the working of the company as is the case in partnership and sole-trade business.

3. Evils of Factory System:

The company form of organisation leads to large-scale production. The evils of factory system like insanitation, air pollution, congestion of cities are attributed to joint stock companies. Joint stock companies facilitate formation of business combinations which ultimately leads to the monopolistic control and exploitation of consumers.

4. Speculation in Shares:

The joint stock companies facilitate speculation in the shares at stock exchanges. The prices of shares depend upon both economic and non-economic factors. The speculators try to fluctuate the prices of shares according to their suitability. The stock exchanges will not help the growth of healthy investment when speculative activities are being carried on. The management of joint stock companies also sometimes encourage speculation in shares for their personal gains.

5. Fraudulent Management:

The promoters and directors may indulge in fraudulent practices. The management is in the hands of those persons who have not invested much in the company. The Company Law has devised methods to check fraudulent practices but they have not proved enough to check them completely.

6. Lack of Secrecy:

The management of companies remains in the hands of many persons. Everything is discussed in the meetings of Board of Directors. The trade secrets cannot be maintained. In case of sole trade and partnership concerns such secrecy is possible because a few persons are involved in management.

7. Delay in Decision-making:

In company form of organization no single individual can make a policy decision. All important decisions are taken either by the Board of Directors or are referred to general house. Decision-taking process is time consuming. If some business opportunity arises and a quick decision is needed, it will not be possible to arrange meetings all of a sudden. So many opportunities may be lost because of a delay in decision-making.

8. Concentration of Economic Power:

The company form of organization has helped concentration of economic power in a few hands. Some persons become directors in a number of companies and try to formulate policies which promote their own interests. The shares of a number of companies are purchased to create subsidiary companies. Interlocking of

direction-ship and establishment of subsidiary companies have facilitated concentration of economic power in the hands of a few business houses.

9. Excessive State Regulations:

A large number of rules and regulations are framed for the working of the companies. The companies will have to follow rules even for their internal working. The government tries to regulate the working of the companies because large public money is involved. The formalities are many and the penalties for their non-compliance are heavy. This often detracts companies from their main objectives for which they have been formed.

Check Your Progress- 4

Note: a) Answer the questions given below.

b) Compare your answers with those given at the end of this lesson.

1) What do you mean by a 'Company'?

2) Give examples of the different company types in the U.S.

9.8 LET US SUM UP

A commercial organization is a group with a particular set of skills, resources or priorities in place geared toward turning a profit. The residual income left after deducting expenses is available to be distributed to employees or shareholders or reinvested back into the company at management's discretion.

There are six types of business organizations for the purposes of collection of federal taxes. Business organizations are commercial or industrial enterprises and the people who constitute them. Commercial organizations are incorporated businesses. The shareholders have limited-liability protection, and such organizations have full discretion in terms of determining the amount of profit that is distributed or retained and are presumed to be entities established for purposes of making profits.

Sole proprietors are unincorporated businesses, which are the easiest form of business to set up. Partnerships are unincorporated businesses, and income obtained is credited to the partners even if the partnership decides to retain some or all of the net income. Trusts are formed upon the death of an individual for the purpose of providing continuity of the investments and business activities of the deceased. Non-profit organizations are formed for civic, charitable and artistic purposes. Such organizations are exempted from paying federal or state taxes.

9.9 LESSON END EXERCISE

- Q1) What is Commercial Organization and enlist the main points to achieve market differentiation?
- Q2) Explain Sole Trade form of commercial organization along with its merits and demerits?
- Q3) Define HUF and write down its merits and demerits?
- Q4) Explain the Partnership form of Commercial Organization?

9.10 SUGGESTED FURTHER READINGS

Aggarwal, J.C. Teaching of Commerce a practical approach. Vikas Publishing House. New Delhi.

Pillai, J.K. Effective teaching. Publication Division, MKU, Madurai.

Singh, R.P. Teaching of Commerce. Surya Publication: Meerut.

9.11 ANSWERS TO CHECK YOUR PROGRESS

Check Your Progress- 1

- 1) Many of the advantages of sole trade are summed up below
- You have full control over daily and strategic decision making.
 - There's far less red tape and regulations than a Limited Company.
 - You have no staff to manage or pay.
 - Starting your business is quick and easy.

- All financial data is kept private.
 - No annual accounts to prepare as sole traders add income and expenses to their tax return.
- 2) The negative aspects of operating on your own are that everyone else perceives you as “small” which in turn has other consequences.
- You have full personal liability for any debts.
 - It may be difficult to bid and accept larger contracts.
 - There’s no staff to delegate to if you have an accident or fall ill.
 - It’s difficult to scale a business on your own.
 - You can’t leverage buying power due to your small size.
 - You have to buy-in knowledge and expertise if you don’t have it yourself.

Check Your Progress- 2

- 1) There are two systems of the HUF, namely
- **Dayabhaga System:** Here both male and female members will be co-parceners in the Hindu Undivided Family
 - **Mitakashara System:** Here only the male family members are admitted into the HUF, the female members have no share.
- 2) Features of HUF are:
- **Formation:** To begin a Hindu Undivided Family there must be a minimum of two related family members. There must be some assets, business or ancestral property that they have inherited or will eventually inherit. The formation of a HUF does not require any documentation and admission of new members is by birth.
 - **Liability:** The liability of all the various co-parceners is only up to their share of the property or business. So they have limited liability. But the Karta being the head of the HUF has unlimited liability.

- **Control:** The entire control of the entity lies with the Karta. He may choose to confer with the co-parceners about various decisions, but his decision can be independent. Its actions will be final and also legally binding.
- **Continuity:** The HUF can be continued perpetually. At the death of the Karta, the next eldest member will become the Karta. However, keep in mind a Hindu Undivided Family can be dissolved if all members mutually agree.
- **Minority:** As we saw earlier the members are eligible to be co-parceners by the virtue of their birth into the family. So in this case, even minor members will be a part of the HUF. But they will enjoy only the benefits of the organisation.

Check Your Progress - 3

- 1) legal, financial
- 2) Limited liability partnerships

Check Your Progress - 4

- 1) A company is a legal entity formed by a group of individuals to engage in and operate a business—commercial or industrial—enterprise. A company may be organized in various ways for tax and financial liability purposes depending on the corporate law of its jurisdiction.
- 2) Examples of company types in the U.S. include the following:
 - **Partnerships** are formal arrangements in which two or more parties cooperate to manage and operate a business.
 - **Corporations** are legal entities that are separate and distinct from its owners and provide the same rights and responsibilities as a person
 - **Associations** are vague and often misunderstood legal entities based on any group of individuals who join together for business, social, or other purposes as a continuing entity. (This may or may not be taxable depending on structure and purpose.)
 - **Funds** are businesses engaged in the investing of pooled capital of investors.
 - **Trusts** are fiduciary arrangements in which a third party holds assets on behalf of beneficiaries.

**ROLE OF FINANCIAL INSTITUTIONS :
RBI AND COMMERCIAL BANKS**

STRUCTURE

- 10.1 Introduction
- 10.2 Objectives
- 10.3 Reserve Bank of India
 - 10.3.1 Establishment of the RBI
 - 10.3.2 Chain of Command
 - 10.3.3 Objectives of the RBI
 - 10.3.4 Functions of Reserve Bank
- 10.4 Commercial Banks
 - 10.4.1 Functions of Commercial Banks
 - 10.4.2 Types of Commercial Banks
 - 10.4.3 Role of Commercial Banks in Economic Development
- 10.5 Let Us Sum Up
- 10.6 Lesson End Exercise
- 10.7 Suggested Further Readings
- 10.8 Answers to Check Your Progress

10.1 INTRODUCTION

Financial institutions are critical organizations that have an important role to play in the economy. Such institutions include commercial banks, savings and credit societies as well as investment institutions and together they help individuals, businesses and other organizations use their finances properly. Before such institutions came to the scene, individuals and business didn't have a secure place to store their excess cash and this caused a lot of chaos. There were no licensed lenders at that time as well and this resulted in a lot of exploitation. This lesson takes a look at some of the roles such institutions play in the economy.

Individuals and businesses with more cash than they need at a given time can use financial institutions like banks to store the extra cash. Commercial banks provide individuals and businesses with a safe platform to store their cash and other valuables and this has gone a long way to reduce the instances of insecurity. Walking around with a lot of cash or having it stored in a drawer in the office makes individuals and businesses a target for burglars and by offering them a safe storage solution, financial institutions have enhanced the safety and security of people, organizations and their money. The institutions have easy cash withdrawal mechanisms and this allows the individuals and the organizations to access their cash reserves when they need them.

Sometimes, individuals and business enterprises may not have all the resources they need to start new ventures or to finance business expansion. This, however, is not a challenge anymore since there are financial institutions that offer cash advances to their members. All you need to do access such facilities to prove that you can pay the advance back and the institutions will offer you as much cash as you need. Loans have helped launched multi-million dollar businesses and this speaks to the power of credit facilities. If you are looking to secure a loan for your personal or business needs, you'd be wise to shop around so as to find the agencies with the best rates.

Most financial institutions have an active investment desk for advising their members on the best ways invest their cash. Investment is one of the best ways of ensuring the financial future for both individuals and businesses but without the right information, people and businesses may lose all their cash by picking un-bankable investment options. Financial institutions are aware of the best investment options for businesses and individuals and they would gladly share this information should you visit their investment desk.

There are so many financial companies established in India to absorb the saving of household sector. Government mobilizes this small saving in the economy through these financial institutions. These major and small institutions play the same role in the economy as the blood in the human body. Some examples of these financial institutions are RBI, SEBI, IDBI, EXIM Bank and Export Credit Guarantee Corporation of India (ECGC).

The Financial Institutions in India mainly comprises of the Central Bank which is better known as the **Reserve Bank of India, the commercial banks, the credit rating agencies, the securities and exchange board of India, insurance companies and the specialized financial institutions in India.**

Reserve Bank of India was established in the year 1935 with a view to organize the financial frame work and facilitate fiscal stability in India. The bank acts as the regulatory authority with regard to the functioning of the various commercial bank and the other financial institutions in India. The bank formulates different rates and policies for the overall improvement of the banking sector. It issue currency notes and offers aids to the central and institutions governments.

The commercial banks in India are categorized into foreign banks, private banks and the public sector banks. The commercial banks indulge in varied activities such as acceptance of deposits, acting as trustees, offering loans for the different purposes and are even allowed to collect taxes on behalf of the institutions and central government.

The credit rating agencies in India were mainly formed to assess the condition of the financial sector and to find out avenues for more improvement. The credit rating agencies offer various services such as operation up gradation, training to employees, scrutinize new projects and find out the weak sections in it, rate different sectors. The two most important credit rating agencies in India are CRISIL and ICRA.

The **Securities and Exchange Board of India**, also referred to as SEBI was founded in the year 1992 in order to protect the interests of the investors and to facilitate the functioning of the market intermediaries. They supervise market conditions, register institutions and indulge in risk management.

The Insurance Companies in India offer protection against losses. They deal in life insurance, marine insurance, vehicle insurance and so on. The insurance companies

collect the little saving of the investors and then reinvest those savings in the market. The insurance companies are collaborating with different foreign insurance companies after the liberalization process. This step has been incorporated to expand the Indian Insurance market and make it competitive.

The **Specialized Financial Institutions in India** are government undertakings that were set up to provide assistance to the different sectors and thereby cause overall development of the Indian economy. The significant institutions falling under this category includes Board for Industrial & Financial Reconstruction, Export-Import Bank Of India, Small Industries Development Bank of India and National Housing Bank

In this way, financial institutions play an important role in improving the lives of individuals and business entities and above are some of the ways they go about doing that.

10.2 OBJECTIVES

After going through this lesson, you shall be able to:

- explain the meaning of Reserve Bank of India,
- enumerate the objectives of Reserve Bank of India,
- describe the various functions of Reserve Bank of India,
- the concept of Commercial Bank,
- give details on the functions of Commercial Banks,
- specify various types of Commercial Banks, and
- express the role of Commercial Banks in Economic Development.

10.3 RESERVE BANK OF INDIA (RBI)

The overall economic efficiency and the stability of a nation are dependent on the payment and settlement system prevailing in that country. As a result, the various regulators in India, including the central bank, have been regularly and consistently revising their operating models and policies to ensure and carry on the development of payment systems at the national level. These regulators are required to carefully safeguard the sanctity of payment systems, generally from systematic risks, the risk of fraud, etc. The responsibility

of a central bank of any given country is to ensure and carry on the development of payment systems at the national level. In India, this responsibility is vested with the Reserve Bank of India (RBI).

Reserve Bank of India (RBI) is the Central Bank of India. RBI was established on 1 April 1935 by the RBI Act 1934. Key functions of RBI are, banker's bank, the custodian of foreign reserve, controller of credit and to manage printing and supply of currency notes in the country.

The Reserve Bank of India (RBI) is India's central banking and monetary authority. RBI regulates loans offered by banks and non-banking financial institutions to government entities, businesses, and consumers and controls the availability of funds in the financial system for credit.

RBI sets the direction for interest rates and price stability and conducts fund raising activities for the central and the state governments through the auction of government securities. Reserve Bank is also responsible for monitoring the foreign exchange flows into the Indian economy, managing currency exchange rates and supervising how banks and non-banking financial institutions function.

RBI was originally privately owned but is now owned wholly by the Indian government. Set up on April 1, 1935 under the Reserve Bank of India Act, RBI's central office was initially in Kolkata but moved to Mumbai in 1937.

The Reserve Bank of India was established with the main motto of regulating all the banks in India. The objective was to keep in check the reserves as well as the issue of bank notes. So, it was done to secure the monetary stability and thereby to operate the credit system and currency of the country to its own advantage.

Prior to the RBI, the government of India and the Imperial Bank of India were unable to control the Indian financial system by keeping it in check.

Therefore, a committee led by the Hilton and young commission in 1935, shifted the entire financial system to the RBI.

10.3.1 Establishment of the RBI

The Reserve Bank of India (RBI) was first established in 1935 according to the Reserve Bank of India Act of 1934. Situated in Mumbai, the RBI is wholly owned and operated by the Indian Government. The operations of the RBI are governed by the Central Board of Directors which comprises of twenty-one members appointed by the Government of India by the Act. The Central Board of Directors consists of the Official Directors and the Non-Official Directors. The Official Directors would include the Governors appointed for four years with an addition of four Deputy Governors. The Non-Official Directors comprise of ten Directors elected from multiple fields along with two Government Officials.

10.3.2 Chain of Command

The following is the chain of command among the Central Board of Directors of the RBI according to their ranks.

- (i) Governor
- (ii) Deputy Governor
- (iii) Executive Directors
- (iv) Principal Chief General Manager
- (v) Chief General Managers
- (vi) General Managers
- (vii) Deputy General Managers
- (viii) Assistant General Managers
- (ix) Managers
- (x) Assistant Managers
- (xi) Support Staff

10.3.3 Objectives of the RBI

The primary goals of the RBI according to the Preamble of the same are as follows.

- To regulate the issue of Banknotes.

- To secure monetary stability in the country.
- To meet the economic challenges by modernizing the monetary policy framework.

The primary focus of the RBI is to supervise and undertake initiatives on behalf of the financial sector which consists of financial institutions, commercial banks, non-banking financial companies. A few critical efforts of the RBI are to restructure bank inspections and fortifying the role of statutory auditors in the banking system.

So, the primary target for RBI was to control and regulate the various financial policies and help in the development of the banking facilities throughout India.

The primary objective for the RBI would be to regulate the various banking functions for India in the money market. Thus, they focus mainly on issuing new notes.

The RBI was established with the aim of being a banker's bank and also the bank for the government. Its task was to promote the economic growth of the country through various frameworks and economic policies of the government.

10.3.4 Functions of Reserve Bank of India

- 1. Issue of Notes :** The Reserve Bank has a monopoly for printing the currency notes in the country. It has the sole right to issue currency notes of various denominations except one rupee note (which is issued by the Ministry of Finance). The Reserve Bank has adopted the Minimum Reserve System for issuing/printing the currency notes. Since 1957, it maintains gold and foreign exchange reserves of Rs. 200 Cr. of which at least Rs. 115 cr. should be in gold and remaining in the foreign currencies.
- 2. Banker to the Government :** The second important function of the Reserve Bank is to act as the Banker, Agent and Adviser to the Government of India and states. It performs all the banking functions of the State and Central Government and it also tenders useful advice to the government on matters related to economic and monetary policy. It also manages the public debt of the government.
- 3. Banker's Bank :** The Reserve Bank performs the same functions for the other commercial banks as the other banks ordinarily perform for their customers. RBI lends money to all the commercial banks of the country.

4. **Controller of the Credit :** The RBI undertakes the responsibility of controlling credit created by commercial banks. RBI uses two methods to control the extra flow of money in the economy. These methods are quantitative and qualitative techniques to control and regulate the credit flow in the country. When RBI observes that the economy has sufficient money supply and it may cause an inflationary situation in the country then it squeezes the money supply through its tight monetary policy and vice versa.
5. **Custodian of Foreign Reserves :** For the purpose of keeping the foreign exchange rates stable, the Reserve Bank buys and sells foreign currencies and also protects the country's foreign exchange funds. RBI sells the foreign currency in the foreign exchange market when its supply decreases in the economy and vice-versa. Currently, India has a Foreign Exchange Reserve of around US\$ 487 bn.
6. **Other Functions :** The Reserve Bank performs a number of other developmental works. These works include the function of clearinghouse arranging credit for agriculture (which has been transferred to NABARD) collecting and publishing the economic data, buying and selling of Government securities (gilt edge, treasury bills etc) and trade bills, giving loans to the Government buying and selling of valuable commodities etc. It also acts as the representative of the Government in the International Monetary Fund (I.M.F.) and represents the membership of India.

Usually, there is always a meeting held in the month of March at New Delhi with the finance minister of India to discuss the upcoming budget. Similarly, one meeting is held in Mumbai every August before the annual reports are released.

The Reserve Bank of India (RBI) is the central bank for India. The RBI handles many functions, from handling monetary policy to issuing currency. India has reported some of the best gross domestic product (GDP) growth rates in the world. It is also known as one of the four most powerful emerging market countries, collectively part of the BRICs which contain Brazil, Russia, India, and China.

The International Monetary Fund (IMF) and World Bank have highlighted India in several reports showing its high rate of growth. In April 2019, the World Bank projected India's GDP growth would expand by 7.5% in 2020. Also in April 2019, the IMF

showed an expected GDP growth rate of 7.3% for 2019 and 7.5% for 2020. Both projections have India with the highest expected GDP growth in the world over the next two years.

As with all economies, the central bank plays a key role in managing and monitoring the monetary policies affecting both commercial and personal finance as well as the banking system. As GDP moves higher in the world rankings the RBI's actions will become increasingly important.

The RBI also has control over certain decisions regarding the country's currency. In 2016, it affected a demonetization of the currency, which removed Rs. 500 and Rs. 1000 notes from circulation, mainly in an effort to stop illegal activities. Post analysis of this decision shows some wins and losses. The demonetization of the specified currencies caused cash shortages and chaos while also requiring extra spending from the RBI for printing more money.

In 2018, the RBI banned the use of virtual currencies by the financial agencies and banks that it regulates.

One of the biggest advantages, however, was the increase in tax collection, which resulted from greater consumer reporting transparency.

As one of the fastest-growing emerging market countries in the world, India has several unique challenges ahead that will require nimble navigation from the RBI. Shaktikanta Das will be charged with guiding the monetary policy direction over the next three years for the country as it continues to take the spotlight for GDP growth.

India also has a diverse range of goods and services along with a rising inflation rate. With the Indian economy steadily accounting for a greater share of the global economy, it is expected that the RBI will gain greater attention from world leaders while also growing in stature as one of the world's most-watched central banks.

Check Your Progress- 1

Note: a) Answer the questions given below.

b) Compare your answers with those given at the end of this lesson.

- | | |
|-------|--|
| (i) | Reserve Bank of India was established in the year |
| (ii) | The commercial banks in India are categorized into |
| (iii) | The Securities and Exchange Board of India also referred to as |
| (iv) | The Insurance Companies in India offer protection against |
| (v) | Reserve Bank of India (RBI) is the Bank of India. |
| (vi) | RBI was established on by the |

10.4 COMMERCIAL BANKS

A commercial bank is a type of bank that provides services such as accepting deposits, making business loans, and offering basic investment products that is operated as a business for profit.

It can also refer to a bank, or a division of a large bank, which deals with corporations or large/middle-sized business to differentiate it from a retail bank and an investment bank.

The general role of commercial banks is to provide financial services to general public and business, ensuring economic and social stability and sustainable growth of the economy.

In this respect, credit creation is the most significant function of commercial banks. While sanctioning a loan to a customer, they do not provide cash to the borrower. Instead, they open a deposit account from which the borrower can withdraw. In other words, while sanctioning a loan, they automatically create deposits.

Commercial Bank can be described as a financial institution that offers basic investment products like a savings account, current account, etc to the individuals and corporate. Along with that, it provides a range of financial services to the general public such as accepting deposits, granting loans and advances to the customers.

It is a profit making company, which pays interest at a low rate to the depositors and charges higher rate of interest to the borrowers and in this way, the bank earns the profit.

10.4.1 Functions of Commercial Banks

1. Primary Functions

- (i) **Accepting Deposits:** The primary function for which the commercial banks were established is to accept deposits from the general public, who possess surplus funds and are willing to deposit them so as to earn interest on it. It offers a variety of deposit schemes to its customers like: savings deposits, recurring deposits, current deposit, Savings deposit and fixed deposits.
- (ii) **Advancing Loans:** Next important function performed by the commercial bank is lending money to the individuals and companies. The banks make loans to the customers in the form of term loans, cash credit, overdraft and discounting of bills of exchange.
- (iii) **Investment of Funds:** Banks invest their surplus funds in government securities like treasury bills, national savings certificate etc. and other securities like securities of state bodies like electricity board, housing board, development banks, shares of RRB's etc.
- (iv) **Financing Foreign Trade:** Buying and selling foreign currency, Accepting Foreign Bills of Exchange.

2. Secondary Functions of Commercial Banks

- (i) **Agency Services:**
 - To collect and clear cheque, dividends etc.
 - To deal in foreign exchange
 - To purchase and sell securities
 - To act as a trustee, attorney, executor
 - To accept tax proceeds and tax returns

(ii) General Utility Services

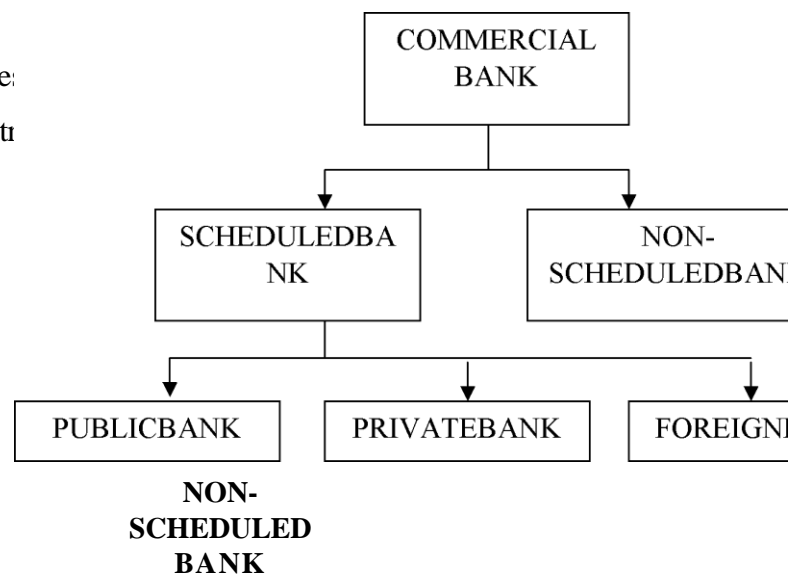
- To provide Safety Locker Facility
- To provide money Transfer Facility
- To issue Traveler's cheque
- To provide safe deposit boxes to customers
- To accept various bills for payment: phone bills, gas bills, water bills
- To provide various cards such as credit cards and debit cards

(iii) Core Products and Services offered by Commercial Banks

- Accepting money on various types of Deposit accounts
- Lending money by overdraft, and loans both secured and unsecured.
- Providing transaction accounts
- Cash management
- Treasury management
- Private equity financing
- Issuing Bank drafts and Bank cheque
- Processing payments via telegraphic transfer payment methods.

10.4.2 Types of Commercial Banks

**SCHEDULED
BANK**



Commercial banks are classified into two categories i.e. Scheduled Commercial Banks and Non-Scheduled Commercial Banks. Further, Scheduled Commercial Banks are further classified into three types:

- (i) **Private Bank:** When the private individuals own more than 51% of the share capital, then that banking company is a private one. However, these banks are publicly listed companies in a recognized exchange.
- (ii) **Public Bank:** When the Government holds more than 51% of the share capital of a publicly listed banking company, then that bank is called as Public sector bank.
- (iii) **Foreign Bank:** Banks set up in foreign countries, and operate their branches in the home country are called as foreign banks.

Non-scheduled commercial banks refer to the banks which are not covered in the Reserve Bank of India's second schedule. The paid-up capital of such banks is not more than Rs. 5 lakhs.

10.4.3 Role of Commercial Banks in Economic Development

- (i) Commercial Banks helps in mobilizing savings for capital formation through deposit schemes, branch banking etc. and channelizing them into productive investments.
- (ii) They help the finance industry through underwriting services and developing capital markets.
- (iii) They play a vital role in financing agriculture in a country.
- (iv) They aid in increasing standard of living of people by providing cash credits and offering flexible repayment schemes to buyers of consumer durable products.
- (v) They ensure smooth running of financial trade by facilitating movement of goods by discounting and accepting bills of exchange. It also provides advances to retailers and wholesalers to stock goods.
- (vi) They help in financing employment generation and development activities like providing educations loads, providing funds to small and medium enterprises, providing funds to young entrepreneurs and start-ups.

- (vii) They help the government to fulfill its objectives of monetary policy.
- (viii) Commercial banks are one source of financing for small businesses. The role of commercial banks in economic development rests chiefly on their role as financial intermediaries. In this capacity, commercial banks help drive the flow of investment capital throughout the marketplace. The chief mechanism of this capital allocation in the economy is through the lending process which helps commercial banks.
- (ix) **Risk:** One of the most significant roles of commercial banks in economic development is as arbiters of risk. This occurs primarily when banks make loans to businesses or individuals. For instance, when individuals apply to borrow money from a bank, the bank examines the borrower's finances, including income, credit score and debt level, among other factors. The outcome of this analysis helps the bank gauge the likelihood of borrower default. By weeding out risky borrowers, commercial banks lessen the risk of financial losses.
- (x) **Small Business:** Commercial banks also finance business lending in a variety of ways. A business owner may solicit a loan to finance the start-up costs of a small business. Once funded, the small business may begin operations and embark on a growth plan. The aggregate effect of small business activity generates a significant portion of employment around the country.
- (xi) **Wealth:** Commercial banks also offer types of accounts to hold or generate individual wealth. In turn, the deposits commercial banks attract with account services are used for lending and investment. For example, commercial banks commonly attract deposits by offering a traditional menu of savings and checking accounts for businesses and individuals. Similarly, banks offer other types of timed deposit accounts, such as money market accounts and certificates of deposit.
- (xii) **Government Spending:** Commercial banks also support the role of the federal government as an agent of economic Development. Generally, commercial banks help fund government spending by purchasing bonds issued by The Department of the Treasury. Both long and short term Treasury bonds help finance government Operations, programs and support deficit spending.

Check Your Progress- 2

Note: a) Answer the questions given below.

b) Compare your answers with those given at the end of this lesson.

- (i) The general role of commercial banks is to provideto general public.
- (ii) Primary Functions of Commercial Banks include
- (iii) Secondary Functions of Commercial Banks are
- (iv) Commercial Banks are classified into two categories i.e.
- (v) Scheduled Commercial Banks are further classified into three types. These are

10.5 LET US SUM UP

Financial institutions, otherwise known as banking institutions, are corporations that provide services as intermediaries of financial markets. Broadly speaking, there are three major types of financial institutions. These are Depository institutions, Contractual institutions and Investment institutions. Depository institutions are those that accept and manage deposits and make loans, including banks, building societies, credit unions, trust companies, and mortgage loan companies. Contractual institutions are insurance companies and pension funds companies. Investment institutions include investment banks, underwriters and brokerage firms.

Financial institutions can be distinguished broadly into Commercial Banks and Cooperative Banks according to ownership structure. Standard Settlement Instructions (SSIs) are the agreements between two financial institutions which fix the receiving agents of counterparty in ordinary trades of some type. These agreements allow traders to make faster trades since the time used to settle the receiving agents is conserved. Limiting the trader to an SSI also lowers the likelihood of a fraud. SSIs are used by financial institutions to facilitate fast and accurate cross-border payments.

Financial institutions in most countries operate in a heavily regulated environment because they are critical parts of countries' economies, due to economies' dependence on them to grow the money supply via fractional-reserve banking. Regulatory structures differ

in each country, but typically involve prudential regulation as well as consumer protection and market stability. Some countries have one consolidated agency that regulates all financial institutions while others have separate agencies for different types of institutions such as banks, insurance companies and brokers.

There are lots of merits of raising funds through financial institutions. Financial institutions provide long term finance, which are not provided by commercial banks. The funds are made available even during periods of depression, when other sources of finance are not available. Obtaining loan from financial institutions increases the goodwill of the borrowing in the capital market. Consequently, such a company can raise funds easily from other sources as well. Besides providing funds, many of these institutions provide financial, managerial and technical advice and consultancy to business firms. As repayment of loan can be made in easy installments, it does not prove to be much of burden on the business. In this way, financial institutions play an important role to play in improving the lives of individuals and business entities and above are some of the ways they go about doing that.

10.6 LESSON END EXERCISE

1. Explain the concept of Reserve Bank of India
2. What are various objectives of Reserve Bank of India
3. What are various functions of Reserve Bank of India?
4. Explain the concept of Commercial Banks.
5. Explain primary functions of Commercial Banks.
6. Explain secondary functions of Commercial Banks.
7. Explain various types of Commercial Banks in India?
8. Enumerate the role of Commercial Banks in Economic Development

10.7 SUGGESTED FURTHER READINGS

Avadhani, V.A. (1997). *Indian capital market*. Mumbai: Himalaya publishing House.

Machiraju, H.R. (2019). *Merchant Banking*. New Delhi: New age international publishers.

Datta, R., & Sundharam, K.P.M. (2008). *Indian Economy*. New Delhi: S. Chand Limited.

Khan, M.Y. (2013). *Indian Financial System*, New Delhi: Tata McGraw Hill.

10.8 ANSWERS TO CHECK YOUR PROGRESS

Answers to Check Your Progress-1

- (i) 1935
- (ii) foreign banks, private banks and the public sector banks.
- (iii) SEBI
- (iv) losses.
- (v) Central.
- (vi) 1st April 1935; RBI Act 1934.

Answers to Check Your Progress-2

- (i) financial services
- (ii) Accepting Deposits, Advancing Loans, Investment of Funds and Financing Foreign Trade
- (iii) Agency Services, General Utility Services and Core Products and Services.
- (iv) Scheduled Commercial Banks and Non-Scheduled Commercial Banks.
- (v) Private Bank, Public Bank and Foreign Bank.

**INTRODUCTION TO PRIVATISATION,
LIBERALISATION AND GLOBALISATION:WTO**

- 11.1 Introduction
- 11.2 Objectives
- 11.3 Meaning of Liberalization
 - 11.3.1 Features of Liberalization
 - 11.3.2 Aims of Liberalisation
- 11.4 Introduction to Privatisation
 - 11.4.1 Privatisation in India
 - 11.4.2 Reasons of Privatization
 - 11.4.3 Features of Privatization
- 11.5 Meaning of Globalisation
 - 11.5.1 Definitions of Globalisation
 - 11.5.2 Benefits of Globalisation
 - 11.5.3 Dimensions of Globalisation
 - 11.5.4 Impact of Globalisation on National Economies

11.6 World Trade Organisation (WTO)

11.6.1 Objectives of WTO

11.6.2 Functions of WTO

11.6.3 Structure of WTO

11.7 Let Us Sum Up

11.8 Lesson End Exercise

11.9 Suggested Further Readings

11.10 Answers to Check Your Progress

11.1 INTRODUCTION

In this lesson, we have discussed about the privatisation, liberalisation, globalisation and world trade organisation. The government of India has adopted the policy of the liberalization, privatization, and globalization since 1990-91. The Indian economy was in major crisis in 1991, when foreign currency reserves had down to \$1 billion. In order to overcome such crises India has launched the LPG policy i.e. Liberalization, Privatization and Globalization. Globalization is a process by which regional economies, societies, and cultures have become integrated through a global network of communication, transportation, and trade. Liberalization and privatization are the economic rules set by globalization to amplify the goal of achieving a free market economy. Liberalization refers to the relief of government regulations. When Government removes the restrictions from the fields of production exchange and distribution through its industrial export-import and taxation policies, it is called the Policy of liberalization. Besides, privatisation is the transformation of ownership of a business, enterprise, agency, public service or public property from the public sector (a government) to the private sector. With the inclusion of LPG policy India was growing at unprecedented rate. While the regional focus of the economy is kept intact, there are, at the same time, attempts to forge agreements on a wider sphere of economic exchange. The most important attempt in this regard was the one to constitute the World Trade Organisation (WTO) in 1995, which has become a major pillar of globalisation. The World Trade Organization is a permanent organization designed to replace

the temporary GATT (General Agreement on Trade and Tariffs). The Organization was established in 1995 and consists of 153 member countries. It has a broad and extensive agenda, which covers trade in merchandizing, services, intellectual property and investment issues. Thus, this lesson examines the context of liberalisation, privatisation, globalisation and WTO.

11.2 OBJECTIVES

After going through this lesson, you will be able to:

- explain the meaning, features and aims of liberalisation,
- enumerate the meaning and importance of privatization,
- explicate the status of privatisation in India,
- delineate meaning, benefits and dimensions of globalization, and
- describe WTO with its objectives, functions and structure.

11.3 MEANING OF LIBERLISATION

Liberal means to be free from internal and external factor. There is no tough rules, regulation, control etc. The word Liberalization was introduced the English language in 1835 as it derived from word 'liberal'. Literally translated, it means the act of making more liberal, or free. 'Liberalization is used only when speaking of economic or social policies or other government regulations'. 'Liberty to establish any kind of economic activity at any time anywhere in the country without anticipating any private or public restrictions, In short liberalizations mean laxity in the rule and regulations. When Government removes the restrictions from the fields of production exchange and distribution through its industrial export-import and taxation policies, it is called the Policy of liberalization. 'Liberalization refers to the relief of government regulations. The economic liberalization in India denotes the continuing financial reforms which began since July 24, 1991. Liberalization or deregulation of entry into an activity previously restricted to Public Enterprises. The removal of restrictions implied by this is to allow private operators to compete in sectors that have been the exclusive domain of Public Enterprises. To the extent that private enterprises are successful in entering the hitherto protected markets, a variant of privatization would have occurred, even though no transfer of ownership of assets had been involved. Apart from

removing restrictions, the legalization policy may involve restructuring existing companies into more competitive units. In the case of public hands, the only notable private sector feature is the possible competitive spirit that is likely to be engendered. And very importantly, liberalization is significant where it is felt that competition, rather than ownership is the key to efficacy, hence state industries are reformed by opening them to competition.’

‘It provides Promote competition, which leads to lower costs and prices for consumers. Liberalization allows financial markets to provide loans to people who previously may not have been able to access loans that they can pay off, and it allows more financial instruments to be developed so people can choose the one that suits them. Liberalization removes government regulations from the economy, which can promote jobs, lower prices, higher incomes and lowers inflation. In addition, it encourages technological advancement, creating jobs and growing incomes. In general, liberalization refers to a relaxation of government as restrictions, usually in such areas of social and economic policy. In a contexts this process or concept is often, but not always, referred to as deregulation. Liberalization of autocratic regimes may precede democratization. Most often, the term is used to refer to economic liberalization, especially trade liberalization or capital market liberalization.

11.3.1 Feature of Liberalization

Liberalization means elimination of state control over economic activities. It implies greater autonomy to the business enterprises in decision-making and removal of government interference. It was believed that the market forces of demand and supply would automatically operate to bring about greater efficiency and the economy would recover. This was to be done internally by introducing reforms in the real and financial sectors of the economy and externally by relaxing state control on foreign investments and trade. With the NIP’ 1991 the Indian Government aimed at integrating the country’s economy with the world economy, improving the efficiency and productivity of the public sector. For attaining this objective, existing government regulations and restrictions on industry were removed. The major aspects of liberalization in India were;

i. Abolition of licensing

NIP’ 1991 abolished licensing for most industries except 6 industries of strategic significance. They include alcohol, cigarettes, industrial explosives, defense products,

drugs and pharmaceuticals, hazardous chemicals and certain others reserved for the public sector. This would encourage setting up of new industries and shift focus to productive activities.

ii. Liberalization of foreign investment

While earlier prior approval was required by foreign companies, now automatic approvals were given for Foreign Direct Investment (FDI) to flow into the country. A list of high-priority and investment-intensive industries were delicensed and could invite up to 100% FDI including sectors such as hotel and tourism, infrastructure, software development .etc. Use of foreign brand name or trade mark was permitted for sale of goods.

iii. Relaxation from local restrictions

There was no requirement anymore for obtaining approval from the Central Government for setting up industries anywhere in the country except those specified under compulsory licensing or in cities with population exceeding 1 million. Polluting industries were required to be located 25 kms away from the city peripheries if the city population was greater than 1 million.

iv. Liberalization of foreign technology imports

In projects where imported capital goods are required, automatic license would be given for foreign technology imports up to 2 million US dollars. No permissions would be required for hiring foreign technicians and foreign testing of indigenously developed technologies.

v. Phased manufacturing programmes

Under PMP any enterprise had to progressively substitute imported inputs, components with domestically produced inputs under local content policy. However NIP' 1991, abolished PMP for all industrial enterprises. Foreign Investment Promotion Board (FIPB) was set up to speed up approval for foreign investment proposals.

vi. Public sector reforms:

Greater autonomy was given to the PSUs (Public Sector Units) through the MOUs (Memorandum of Understanding) restricting interference of the government officials and allowing their managements greater freedom in decision-making.

vii. MRTP act

The Industrial Policy 1991 restructured the Monopolies and Restrictive Trade Practices Act. Regulations relating to concentration of economic power, pre-entry restrictions for setting up new enterprises, expansion of existing businesses, mergers and acquisitions .etc. have been abolished.

11.3.2 Aims of Liberalization

The Government of India's liberalized Industrial Policy aims at rapid and substantial economic growth, and integration with the global economy in a harmonized manner. The Industrial Policy reforms have reduced the industrial licensing requirements; removed restrictions on investment and expansion, and facilitation easy access to foreign technology and foreign direct investment. There are several objectives of liberalization. The principle aims are enumerated as below.

- i To improve the quality of good services,
- ii To increase the employment
- iii To create opportunities
- iv To join in the competition of the international level
- v To develop the production-capacity
- vi To improve the process of domestic production.

11.4 INTRODUCTION TO PRIVATISATION

‘The transfer of ownership of property or businesses from a government to a privately owned entity, the transition from a publicly traded and owned company to a company which is privately owned and no longer trades publicly on a stock exchange, when a publicly traded company becomes private, investors can no longer purchase a stake in that company.’

Privatization, also spelled privatization, may have several meanings. Primarily, it is the process of transferring ownership of a business, enterprise, agency, public service or public property from the public sector (a government) to the private sector, either to a business that operate for a profit or to a non-profit organization. It may also mean government outsourcing of services or functions to private firms, e.g. revenue collection, law enforcement, and prison management etc. Privatization has also been used to describe two unrelated transactions. The first is the buying of all outstanding shares of a publicly traded company by a single entity, taking the company private. This is often described as private equity. The second is a demutualization of a mutual organization or cooperative to form a joint stock company. State of a public enterprise in full to private buyers, introduction of private capital into the Public Enterprises either through a sale of some government equity proposition, the greater privatization, transferring of provision of a good or service from the public to the private sector, while the government retains the ultimate responsibility for supplying the service, for example, contracting out of public service and leasing of public assets. The contracting out of activities is often seen as likely to provoke less opposition than the sale of assets, and it may yield equal or greater outcomes.

11.4.1 Privatization in India

Privatization process is being done speedily. Privatization by the way of sale of public sector enterprises is almost negligible while divestment is also existent by way of selling of a portion of shares in the 31 public sector enterprises. Privatization got tremendous boost by the introduction of new economic policy in 1991 that allowed relaxing entry restrictions and equity funding. This heightened the competition in the industries that were monopolized by the public sector earlier. State owned enterprises were lacking the diplomacy that private enterprises employed as the competitive edge. Deregulation in India was facilitated by laws like the Industries (Development & Regulation) Act, 1951 (IDRA), Monopolies & Restrictive Trade Practices Act, 1969, (MRTPA), Foreign Exchange regulation Act, 1973 (FERA), Capital Issues Control and technical scrutiny by the Directorate General of Technical Development (DGTD). Post independence, the Indian government adopted socialistic economic strategies. It was in 1980s, that Rajiv Gandhi initiated economic restructuring. With the help of IMF, Indian government commenced a sequential economic reorganization.

P.V. Narasimha Rao brought in the revolutionary economic developments with the help of Dr. Manmohan Singh. The results of these reforms can be assessed statistically by comparing the total overseas investment in terms of portfolio investment, FDI and investments from foreign equity capital markets. In 1995- 1996, it was \$5.3 billion as compared to \$ 132 million in 1991-1992. The highlights of the reforms including eradicating license raj for all except 18 critical sectors for licensing; tempering the control on industries; Foreign Technology Agreements; FDI & FII; amendment of MRTP Act, 1969; Deregulation; Regulation of Inflation; Tax restructuring; encouraging overseas business relations . Few examples of privatization in India are Lagan Jute Machinery Company Limited, Modern Food Industries Limited, BALCO, Hotel Corporation of India Limited, Hindustan Zinc Limited, Paradeep Phosphates Limited, BSNL etc.

11.4.2 Reasons of Privatisation

(i) Micro-level considerations

- i. It is argued that private enterprise with accountability to shareholders and due to competitive atmosphere of the market economy can and often do improve performance.
- ii. PEs in as much as they enjoy a monopolistic position and can have recourse to public resources, are not obliged to do well in the absence of a clearly defined index of accountability which can be enforced strictly.
- iii. Privatisation is also recommended on the ground that private enterprises are free from political interference at least in day-to-day operations, and also from bureaucratic redtapism in decision-making.
- iv. Private enterprises are supposed to benefit more from the managerial skills and efficiency.

(ii) Macro-level considerations

- i. Public sectors have not been able to perform well commercially, interalia, due to overloading of undefined and vague social objectives. There has also been an excessive political and bureaucratic intervention. This greatly pushed the idea of privatisation the world over

- ii. Public sector did not get the required guidance and support from the government due to the incompetence and short-range perspective of the latter. For example, the government is not unaware of the need to provide a stable and competent board of directors to its enterprises.
- iii. Public sector undertaking has consistently and continuously failed to meet its obligations due to various avoidable reasons, including petty and personal considerations. All this naturally affects public enterprises' performance and reflects poorly on the PE concept. This is particularly true of state-level PEs in India.

11.4.3 Features of Privatization

The main features of privatization in India are as follows;

i Autonomy to public sector

Greater autonomy was granted to nine PSUs referred to as 'navaratnas' (ONGC, HPCL, BPCL, VSNL, BHEL) to take their own decisions.

ii De-reservation of public sector

The number of industries reserved for the public sector were reduced in a phased manner from 17 to 8 and then to only 3 including Railways, Atomic energy, Specified minerals. This has opened more areas of investment for the private sector and increased competition for the public sector forcing greater accountability and efficiency.

iii Disinvestment policies

Till 1999-2000 dis-investment was done basically through sale of minority shares but since then the government has undertaken strategic sale of its equity to the private sector handing over complete management control such as in the case of VSNL, BALCO .etc.

Check Your Progress- 1

Note: a) Answer the questions given below.

b) Compare your answers with those given at the end of this lesson.

State whether the following statements are true or false.

- (i) mean laxity in the rule and regulations.
- (ii) Liberalization allows... .. to provide loans to people
- (iii) Privatisation heightened the competition in the industries that were
by the public sector earlier.
- (iv) The buying of all outstanding shares of a publicly traded company by a single
entity is often described as..... means to be free from
internal and external factor.
- (v) Liberalization is significant where is regarded as the key
to effectiveness rather than ownership.
- (vi) Under privatisation regime government of services
or functions to private firms.
- (vii) FERA means Foreign..... regulation Act.

11.5 MEANING OF GLOBALIZATION

Globalization describes a process by which regional economies, societies, and cultures have become integrated through a global network of communication, transportation, and trade. The term is sometimes used to refer specifically to economic globalization, the integration of national economies into the international economy through trade, foreign direct investment, capital flows, migration, and the spread of technology. Globalization as a spatial integration in the sphere of social relations when one said “Globalization can be defined as the intensification of worldwide social relations which link distant locations in such a way that local happenings are shaped by events occurring many miles away and vice – versa. Globalization generally means integrating economy of our nation with the world economy. The economic change initiated had a dramatic effect on the overall growth of the economy. It also heralds the integration of the Indian economy into the global economy.

The process of globalization not only includes opening up of world trade, development of advanced means of communication, internationalization of financial markets, growing

importance of MNC's population migrations and more generally increased mobility of persons, goods, capital, data and ideas but also infections, diseases and pollution. The term globalization refers to the integration of economies of the world through uninhibited trade and financial flows, as also through mutual exchange of technology and knowledge. Globalization has many meanings depending on the context and on the person who is talking about. Though the precise definition of globalization is still unavailable a few definitions are discussed. Globalization is often used to refer to economic globalization, that is, integration of national economies into the international economy through trade, foreign direct investment, capital flows, migration, and the spread of technology. The process enabling financial and investment markets to operate internationally, largely as a result of deregulation and improved communications. The emergence since the 1980s of a single world market is dominated by multinational companies, leading to a diminishing capacity for national governments to control their economies. "The process by which a company, etc., expands to operate internationally globalization. Globalization refers to the increasing interconnectivity of countries and the openness of borders to ideas, people, commerce and financial capital.

Globalisation indicates a rapid and unprecedented spread across national borders of capital (investment), of markets and of production. It is integrating economy, culture and governance, but fragmenting societies. Driven by commercial market forces, globalisation in this era seeks to promote economic efficiency, generate growth and yield profits. It refers to the increased integration of the national economy into the international economic system to create a New World Order, depending upon the various processes of economic and political reforms. While the regional focus of the economy is kept intact, there are, at the same time, attempts to forge agreements on a wider sphere of economic exchange. The most important attempt in this regard was the one to constitute the world Trade Organisation (WTO) in 1995, which has become a major pillar of globalisation. A whole range of items which were earlier an integral part of the national decision-making are brought before WTO, such as agriculture and related activities, trade related investment measures (TRIMS), trade related intellectual property rights (TRIPS), trade in services and movement of persons, the prevention of foreign competition through duties and quantitative restrictions such as quotas, exchange controls and regulation. These agreements do not favour subsidies. In the process of globalisation, liberalisation primarily means removal of controls and regulations at various levels of the economy facilitating market forces to determine its course and optimum pursuits driven by market expansion.

11.5.1 Definition of Globalisation

The International Monetary Fund (IMF) describes it as, the growing economic interdependence of countries worldwide through the increasing volume and variety of cross-border transactions in goods and services and of international capital flows, and also through the more rapid and widespread diffusion of technology.

The United Nations ESCWA has written that globalisation 'is a widely used term that can be defined in a number of ways. When used in economic terms it refers to the reduction and removal of barriers between national borders in order to facilitate the flow of goods, capital, services and labour although considerable barriers remain to the flow of labour.

Friedman (1999) defined Globalisation as the 'inexorable integration of markets, nation-states and technologies to a degree never before in a way that is enabling individuals, corporations and nation- states to reach around farther, faster, deeper and cheaper than ever before and in a way that is enabling the world to reach into individuals, corporations and nation- states farther, faster, deeper and cheaper than ever before. This process of globalisation is also producing a powerful backlash from those brutalized or left behind by this new system.

Globalisation is the integration of national economies leading to the notion of a borderless global or planetary, an interwoven net of factories, fields and forests, governments, labouring populations, cities and transports spread over the surface of the earth (Avinash, 2000).

Jagdish Bhagwati (2004) defines 'Globalisation' as integration of national economies into the international economy through trade, direct foreign investment (by corporations and multinationals), short-term capital flows, international flows of workers and humanity generally, and flows of technology.

11.5.2 Benefits of Globalisation

Economic integration by 'Globalisation' enabled the cross country free flow of information, ideas, technologies, goods, services, capital, finance and people. This cross border integration had different dimensions - cultural, social, political and economic. More

or less the economic integration happened through four channels: 1) Trade in goods and services; 2) Movement of capital; 3) Flow of finance and 4) Movement of people.

(i) Trade in goods and services

From the theoretical aspect, international trade ensures allocating different resources and that has to be consistent. This specialization in the processes leads to better productivity. We all know from the economic perspective that restrictive trade barriers in emerging economies only impede growth. Emerging economies can reap the benefits of international trade if only all the resources are utilized in full potential. This is where the importance of reducing the tariff and non-tariff barriers crop up.

(ii) Movement of capital

The production base of a developing economy gets enhanced due to capital flows across countries. It was very much true in the 19th and 20th centuries. The mobility of capital only enabled savings for the entire globe and exhibited high investment potential. A country's economic growth doesn't, however, get barred by domestic savings. Foreign capital inflow does play an important role in the development of an economy. To be specific, capital flows either can take the form of foreign direct investment or portfolio investment. Developing countries would definitely prefer foreign direct investment because portfolio investment doesn't have a direct impact on the productive capacity expansion.

(iii) Financial flows

The capital market development is one of the major features of the process of globalisation. We all know that the growth in capital and mobility of the foreign exchange markets enabled better transfer of resources across borders and by large the global foreign exchange markets have improved. It is mandatory to go in for the expansion of foreign exchange markets and thus facilitate international transfer of capital. The major example of such international transfer of funds led to the financial crisis - which has by now become a worrying phenomenon.

(iv) Movement of people

People flows refers to the movement of people across international borders in the form of immigration, international student flows, business travel, and tourism. Despite its peripheral status in debates over globalization, the movement of people from low income to high income countries is fundamental in global economic development, with consequences for factor endowments, trade patterns, and transfer of technology. In part because people flows are smaller than trade and capital flows, the dispersion of pay for similarly skilled workers around the world exceeds the dispersion of the prices of goods and cost of capital. This suggests that policies that give workers in developing countries greater access to advanced country labour markets could raise global economic well-being considerably. The economic problem is that immigrants rather than citizens of immigrant-receiving countries benefit most from immigration.

Thus, Globalisation has the fair and rough share of its impacts and thus we can surely hope for more advancement in the global economy due to this process.

11.5.3 Dimensions of Globalisation

Theoretically the concept of globalisation may be viewed as the expansion of the world system, accompaniment of modernity, creation of a single world market and a resultant of modernity. Globalisation is a phenomenon that has many dimensions in economic, cultural, environmental and political. Almost every aspect pertaining to the issue of globalisation is a subject matter of vital academic debate. The term globalisation is widely and generally applicable in the economic and commercial perspective. Nevertheless its impact-range encompasses cultural and philosophical dimensions as much as fundamental principles pertaining to the culture and philosophy of a particular nation or society are likely to interact with the changed situations arising in the state of globalisation.

11.5.4 Impact of Globalisation on National Economies

While governments had no choice but to float their currencies, doing so was just a short-term fix rather than a long-term solution. In the new economy if countries did not join in and deregulate their currencies (and economies) they became sitting ducks for global money speculators, foremost among which are multinational banks. The floating of national

currencies was an inevitable result of the US severance from regulated currency. It was an offer to weaker economies that could not be refused - either join the club of globalised currency or be clubbed by globalised currency. The floating of currencies partly addressed the threat from global money speculators, but it did not fix the fault in the global monetary system, which continues to hamstring national economies through debt.

Check Your Progress- 2

Note: a) Answer the questions given below.

b) Compare your answers with those given at the end of this lesson.

Fill in the blanks

- (i) generally means integrating economy of our nation with the world economy.
- (ii) Globalisation indicates a rapid and unprecedented spread across.....of capital (investment).
- (iii) The process enabling financial and investment markets to operate by the public sector earlier.
- (iv) has become a major pillar of globalisation in 1995.
- (v) The floating of currencies addressed the threat from global money
- (vi) Globalisation is a phenomenon that has many in economic, cultural, environmental and political.
- (vii) Developing countries prefer because of portfolio investment.
- (viii) refers to the movement of people across international borders in the form of immigration, international student flows, business travel, and tourism.

11.6 WORLD TRADE ORGANISATION (WTO)

The WTO was founded in 1995 as the successor organisation to the General Agreement on Trade and Tariff (GATT). GATT was established in 1948 with 23 countries

as the global trade organisation to administer all multilateral trade agreements by providing equal opportunities to all countries in the international market for trading purposes. WTO is expected to establish a rule-based trading regime in which nations cannot place arbitrary restrictions on trade. In addition, its purpose is also to enlarge production and trade of services, to ensure optimum utilisation of world resources and to protect the environment. The WTO agreements cover trade in goods as well as services to facilitate international trade (bilateral and multilateral) through removal of tariff as well as non-tariff barriers and providing greater market access to all member countries. As an important member of WTO, India has been in the forefront of framing fair global rules, regulations and safeguards and advocating the interests of the developing world. India has kept its commitments towards liberalisation of trade, made in the WTO, by removing quantitative restrictions on imports and reducing tariff rates.

World Trade Organization (WTO) works to facilitate international trade. It provides a forum where its more than 150 member nations negotiate sign trade agreements. The WTO administers the agreements, handles trade disputes, monitors national trade policies, provides technical assistance and training for developing countries, and cooperates with other international organizations. The organization derives most of its operating income from member contributions. The WTO replaced the General Agreement on Tariffs and Trade (GATT) in 1995. World Trade Organization (WTO), international organization established in 1995 as a result of the final round of the General Agreement on Tariffs and Trade (GATT) negotiations, called the Uruguay Round.

The WTO is responsible for monitoring national trading policies, handling trade disputes, and enforcing the GATT agreements, which are designed to reduce tariffs and other barriers to international trade and to eliminate discriminatory treatment in international commerce. In an effort to promote international agreements, WTO negotiations are conducted in closed sessions; many outsiders have strongly criticized such meetings as antidemocratic. Unlike GATT, the WTO is a permanent body but not a specialized agency of the United Nations; it has far greater power to mediate trade disputes between member countries and assess penalties. In the Uruguay Round, agreement was reached to reduce tariffs on manufactured goods by one third. Under the WTO, subsidies and quotas are to be reduced on imported farm products, automobiles, and textiles, which were not covered by GATT; there is also freer trade in banking and other services and greater worldwide protection of intellectual property. Negotiations to eliminate subsidies and protections for

agricultural products, however, have proved to be a stumbling block. The Doha Round of talks, launched in 2001, has been deadlocked over such subsidies; the round was originally scheduled to be finished in Jan, 2005. The WTO is headquartered in Geneva and also holds international ministerial conferences; it has 153 members.

The WTO is the only global international organization dealing with the rules of trade between nations. The WTO members account for over 97 per cent of world trade. The goal is to help producers of goods and services exporters and importers conduct their business. WTO's main task is to make the multilateral trading system credible and transparent. This is the hope, based on assertions by the world's major traders especially the US. The WTO in its principal role as a trade police man will ensure the countries obey multilaterally accepted trade roles, carryout recommendations and rulings and compensate complaints.

11.6.1 Objectives of WTO

- i. To improve the standard of living of people in the member Countries.
- ii. To ensure full employment and broad Increase in effective demand.
- iii. To liberalize the trade with a view to raising standard of living
- iv. To enlarge production and trade of services.
- v. To ensure optimum utilization of world resources.
- vi. To accept the concept of sustainable development.
- vii. To protect environment.
- viii. To promote an equitable, non-discriminatory, multilateral, integrated and durable trading system
- ix. To ensure linkages between trade policies, environmental policies and overall development

11.6.2 Functions of WTO

- i. To provide facilities for implementation, administration and operation of multi-lateral and bilateral agreements of the world trade.
- ii. To provide a platform to member Countries to decide further strategies related to trade tariff.
- iii. To administer the rules and processes related to dispute settlement.
- iv. To implement rules and provisions related to trade policy review mechanism.
- v. To assist International Monetary Fund (IMF) and International Bank for Reconstruction and Development (IBRD) for establishing coherence in universal economic policy determination.
- vi. To ensure optimum use of World's resources
- vii. Additionally, it is the WTO's duty to review and propagate the national trade policies, and to ensure the coherence and transparency of trade policies through surveillance in global economic policy-making
- viii. Another priority of the WTO is the assistance of developing, least-developed and low-income countries in transition to adjust. WTO rules and disciplines through technical cooperation and training.
- ix. The WTO is also a center of economic research and analysis: regular assessments of the global trade picture in its annual publications and research reports on specific topics are produced by the organization.
- x. To confirm whether the agreements that have been covered are implemented, administrated and executed effectively.
- xi. The WTO facilitates the implementation, administration, operation, and further the objectives, of this Agreement and of the Multilateral Trade Agreements, and shall also provide the framework for the implementation, administration and operation of the Plurilateral Trade Agreements.
- xii. To settle negotiations and disputes by providing a forum check.

- xiii. WTO shall provide the forum for negotiations among its Members concerning their multilateral trade relations in matters dealt with under the agreements in the annexes to this Agreement.
- xiv. The WTO may also provide a forum for further negotiations among its Members concerning their multilateral trade relations, and a framework for the implementation of the results of such negotiations, as may be decided by the Ministerial Conference.
- xv. The WTO shall administer the Trade Policy Review Mechanism provided for in Annex 3 to this Agreement.

11.6.3 Structure of the WTO

The establishment of the WTO is probably the most tangible outcome of the Uruguay Round negotiations. Its structure, functions, etc. are regulated by the Marrakesh Agreement Establishing the World Trade Organization. 'The WTO has its self-functions, objectives and principle it is given further'.

- Administering the WTO trade agreements
- Forum for trade negotiations
- Handling trade disputes
- Monitoring national trade policies
- Technical assistance and training for developing countries
- Cooperation with other international organizations.

The WTO is run by its member governments. The chief administrator is the Director-General. The highest decision-making body of the WTO is the Ministerial Conference. So far six Ministerial Conferences have been held which are as follows:

- The First Ministerial Conference in Singapore, 9-13 December 1996
- The Second Ministerial Conference in Geneva, 18-20 May 1998
- The Third Ministerial Conference in Seattle, 30 November – 3 December 1999
- The Fourth Ministerial Conference in Doha, 9-13 November 2001

- The Fifth Ministerial Conference in Cancun, 10-14 September 2003
- The Sixth Ministerial Conference in Hong Kong, China; 13-18 December 2005.

The World Trade Organization is playing an important role for administering the new global trade rules in the following ways:-

i. Trade agreement

The WTO administers, through various councils and committees, the 28 agreements contained in the final act of the Uruguay Round, plus a number of plural lateral agreements, including government procurement.

ii. Tariffs Rules

The WTO also oversees the implementation of significant tariff cuts (averaging 40 percent) and reduction of non-tariff measures agreed in the trade negotiations.

iii. Trade Watch Dog

The WTO is a watchdog of international trade, regularly examining the trade regimes of individual members. In its various bodies, members' flag proposed or draft measures by others that can trade conflicts. Members are also required to notify in detail various trade measures and statistics which are maintained by the WTO in a large data base.

iv. Various Conciliation Norms

The WTO provides several conciliation mechanisms for finding an amicable solution to trade conflicts that can arise among members.

v. Trade Disputability Settlement

Trade disputes that cannot be solved through bilateral talks are adjudicated under the WTO Dispute Settlement Court Panels of Independent Experts, established to examine disputed in the light of WHO rules and provide rulings .This tougher streamlined procedure ensures equal treatment for all training patterns and encourages members to live up to their obligations.

vi. WTO is consultant body

The WTO is a management consultant for world trade. Its economists keep a close watch on the pulse of the global economy and provide studies on the main trade issues of implementation or Uruguay Round results through a newly established Development division and strengthened technical co-operation and training division.

vii. Checks of Trade Barriers

The WTO is a forum where countries continuously negotiate exchange of barriers all over the world. The WTO already has a substantial agenda for further negotiations in many areas. The World Trade Organization is an organization that intends to supervise and liberalize international trade. The organization officially commenced on January 1, 1995 under the Marrakech Agreement, replacing the General Agreement on Tariffs and Trade (GATT), which commenced in 1948. The organization deals with regulation of trade between participating countries; it provides a framework for negotiating and formalizing trade.

viii. Dispute Settlement Mechanism of WTO

The WTO presently offers a far more powerful mechanism in order to resolve disputes over trade, arising out of growing competition for markets among the members. Under the present situation facing frequent quarrels and disputes among the trading partners a trade-dispute settlement mechanism is very much required. WTO is now charged with the responsibility to provide such mechanism. A recent report of WTO observed that developing countries are emerging more as active user of the multilateral dispute-settlement mechanism than the developed nations. Such a move has been noticed more so in the World Trade Organization than the General Agreement on tariffs and Trade. On March 5, 1996, the Dispute Settlement Body (DSB) established two panels at the request of Philippines and Costa Rica.

Check Your Progress- 3

Note: a) Answer the questions given below.

b) Compare your answers with those given at the end of this lesson.

Note: (a) Answers the question given below

(b) Compare your answers given at the end of this lesson

Choose the correct answer from the four options a, b, c and d.

i WTO's main task is to make the system, credible and transparent.

a. Public system b. Research c. Business d. Multilateral trading

ii Unlike, the WTO is a permanent body but not a specialized agency of the United Nation.

a. FERA b. FEMA c. GATT d. DSB

iii World Trade Organization (WTO) works to facilitate trade

a. National b. International c. None d. Both

iv WTO officially commenced on..... under the Marrakech Agreement.

a. January 1, 1995 b. June 1, 1995 c. July 1, 1995 d. December 1, 1995

v WTO provide facilities for implementation, administration and operation of..... agreements of the world trade.

a. Multi-lateral b. Bilateral c. Both d. None

11.7 LET US SUM UP

The term of Liberalization, Globalization and Privatization and its background was given important in global area. International transaction is being done rapidly with help of Liberalization, Globalization and Privatization. India and its all states are coming under the impression of WTO. The policy of Liberalization, Globalization and Privatization is introduced by WTO. The policies are mandatory and compulsory to country member of WTO. India is one of member of WTO. The policies are affecting to industrial area of the world. Maharashtra state has become a part of these policies so the chapter has provided significance, objectives of study, scope and limitation etc. It has become necessary that overall development will achieve along with globalization liberalization and privatization.

Present Scenario of this liberalization privatization and globalization is all in favour of capital class. Common people are remaining very far from this policy. Public sectors are reducing and private sector is promoting with the help of this policy. Lot of aspect is attached to the policy. Various concepts regarding Indian traditional system are being promoted by the policy. Positive and negative aspects are in policy. But lots of negative aspect are working and give lot of benefits to very few industrialist and capital class people. So many policies are adopted towards Indian economy such as foreign investment policy, foreign technology agreement, public sector policy etc. monopolies and restrictive trade practices act(MRTP Act) this act give priority to 'Prevention of concentration of economic power to the common disadvantage, control of monopolies and Prohibition of monopolistic and restrictive and unfair trade practices' this act was implemented but this act did not give proper performance.

Domestic industries are converting from one base to another base, from little to medium, from medium to large, from large to multinational industries. There are so many stages to become multinational company and Indian industries

11.8 LESSON END EXERCISE

Long answers type questions:

- Q1. Describe the concept and features of Liberalisation.
- Q2. Explain the meaning of Privatisation and its reasons to prevail in India?
- Q3. What is globalisation and what are its benefits for Indian economy?
- Q4. Explain the meaning and functions of WTO?
- Q5. Outline the structure of WTO?

11.8 SUGGESTED FURTHER READINGS

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11.10 ANSWERS TO CHECK YOUR PROGRESS

Answer to Check Your Progress- 1

- i. Liberalizations
- ii. Financial markets
- iii. Monopolized
- iv. Private equity
- v. Liberal
- vi. Competition
- vii. Outsourcing
- viii. Exchange

Answer to Check Your Progress - 2

- i. Globalisation
- ii. National borders of capital (investment)
- iii. Internationally
- iv. WTO
- v. Speculators

- vi. Dimensions
- vii. FDI (Foreign direct investment)
- viii. People flow

Answer to Check Your Progress-3

- i. d
- ii. c
- iii. b
- iv. a
- v. c