



SHREE H. N. SHUKLA COLLEGE OF I.T. & MGMT.

(AFFILIATED TO SAURASHTRA UNIVERSITY)

3- Vaishalinagar
Nr. Amrapali Railway Crossing
Raiya Road, Rajkot – 360001
Ph. No–(0281)2471645

2 – Vaishalinagar
Nr. Amrapali Railway Crossing
Raiya Road, Rajkot – 360001
Ph.No–(0281)2440478, 2472590

B.COM. SEM – 3 **MATERIAL**

<u>SR NO.</u>	<u>SUBJECT NAME</u>	<u>PAGE NO</u>
1	ENGLISH	1 – 30
2	MACRO ECONOMICS	31 – 65
3	BUSINESS COMMUNICATION	66 – 140



SHREE H. N. SHUKLA COLLEGE OF I.T. & MGMT.

(AFFILIATED TO SAURASHTRA UNIVERSITY)

3- Vaishalinagar
Nr. Amrapali Railway Crossing
Raiya Road, Rajkot – 360001
Ph. No–(0281)2471645

2 – Vaishalinagar
Nr. Amrapali Railway Crossing
Raiya Road, Rajkot – 360001
Ph.No–(0281)2440478, 2472590



SHREE H. N. SHUKLA COLLEGE OF I.T. & MGMT.

(AFFILIATED TO SAURASHTRA UNIVERSITY)

3- Vaishalinagar
Nr. Amrapali Railway Crossing
Raiya Road, Rajkot – 360001
Ph. No–(0281)2471645

2 – Vaishalinagar
Nr. Amrapali Railway Crossing
Raiya Road, Rajkot - 360001
Ph.No–(0281)2440478, 2472590

B.COM SEM -3

ENGLISH

SR NO.	UNIT NAME	PAGE NO
UNIT-2	INDIRECT NARRATION	
UNIT-3	GRAMMAR	
UNIT-4	COMPREHENSION	



SHREE H. N. SHUKLA COLLEGE OF I.T. & MGMT.

(AFFILIATED TO SAURASHTRA UNIVERSITY)

3- Vaishalinagar
Nr. Amrapali Railway Crossing
Raiya Road, Rajkot – 360001
Ph. No–(0281)2471645

2 – Vaishalinagar
Nr. Amrapali Railway Crossing
Raiya Road, Rajkot - 360001
Ph.No–(0281)2440478, 2472590

Unit-2

Indirect Narration

Indirect narration (reported speech) is used to report what somebody has said. For indirect narration reporting verb is used. When you report someone else's statement in your own words without any change in the meaning of the statement, it is called indirect speech. Quoting a person's words without using his own word and bringing about any change in the meaning of the statement is a reported speech.

Detailing:

Reported or indirect speech is usually used to talk about the past, so we normally change the tense of the words spoken. We use reporting verbs like 'say', 'tell', 'ask', and we may use the word 'that' to introduce the reported words. Inverted commas are not used.

One-word question answer for Preposition:

Sr. No.	Question	Answer
1	Indirect narration (reported speech) is used to _____ what somebody has said.	Report
2	For indirect narration reporting what is used?	Verb
3	When you report someone else's statement in your own words without any change in the meaning of the statement, it is called which speech?	Indirect
4	Quoting a person's what without using his own word and bringing about any change in the meaning of the statement is a reported speech?	Words
5	Reported or indirect speech is usually used to talk about which tense, so we normally change the tense of the words spoken?	Past
6	We use reporting verbs like 'say', 'tell', 'ask', and we may use the word 'that' to introduce the reported words. Inverted _____ are not used.	Commas



SHREE H. N. SHUKLA COLLEGE OF I.T. & MGMT.

(AFFILIATED TO SAURASHTRA UNIVERSITY)

3- Vaishalinagar
Nr. Amrapali Railway Crossing
Raiya Road, Rajkot – 360001
Ph. No–(0281)2471645

2 – Vaishalinagar
Nr. Amrapali Railway Crossing
Raiya Road, Rajkot - 360001
Ph.No–(0281)2440478, 2472590

Rules for changing Direct Speech into Indirect

Pronoun

Changes in Person of Pronouns:

1st Person pronouns in reported speech are always changed according to the subject of the reporting speech.

2nd Person pronouns in reported speech are always changed according to the object of the reporting speech.

3rd Person pronouns in reported speech are not changed.

One-word question answer for Preposition:

Sr. No.	Question	Answer
1	First person pronouns in reported speech are always changed according to the what of the reporting speech?	Subject
2	Second person pronouns in reported speech are always changed according to the what of the reporting speech?	Object
3	_____ person pronouns in reported speech are not changed.	Third

Tenses

Changes in Verbs:

1. If the reporting speech is in present tense or future tense, then no change is required to be made in the verb of reported speech. This verb could be in any tense i.e., present, past, or future. For example:

Direct Speech: He says, "I am ill."

Indirect Speech: He says that he *is* ill.

Direct Speech: She says, "She sang a song."

Indirect Speech: She says that she *sang* a song.

Direct Speech: You say, "I shall visit London."



SHREE H. N. SHUKLA COLLEGE OF I.T. & MGMT.

(AFFILIATED TO SAURASHTRA UNIVERSITY)

3- Vaishalinagar
Nr. Amrapali Railway Crossing
Raiya Road, Rajkot – 360001
Ph. No–(0281)2471645

2 – Vaishalinagar
Nr. Amrapali Railway Crossing
Raiya Road, Rajkot - 360001
Ph.No–(0281)2440478, 2472590

Indirect Speech: You say that you *will visit* London.

2. If the *reporting verb* is in *past tense*, then reported verb will be changed as per the following criterion:

Present indefinite tense is changed into past indefinite tense. For example:

Direct Speech: They said, “They *take* exercise every day.”

Indirect Speech: They said that they *took* exercise every day.

3. Present continuous is changed into past continuous tense.

Direct Speech: They said, “They *are taking* exercise every day.”

Indirect Speech: They said that they *were taking* exercise every day.

4. Present perfect is changed into the past perfect tense.

Direct Speech: They said, “They *have taken* exercise.”

Indirect Speech: They said that they *had taken* exercise.

5. Present perfect continuous tense is changed into past perfect continuous tense.

Direct Speech: They said, “They *have been taking* exercise since morning.”

Indirect Speech: They said that they *had been taking* exercise since morning.

6. Past indefinite is changed into past perfect tense.

Direct Speech: They said, “They *took* exercise.”

Indirect Speech: They said that they *had taken* exercise.

7. Past continuous tense is changed into past perfect continuous tense.

Direct Speech: They said, “They *were taking* exercise.”

Indirect Speech: They said that they *had been taking* exercise.

8. No changes are required to be made into past perfect and past perfect continuous tenses.

Direct Speech: They said, “They *had taken* exercise.”

Indirect Speech: They said that they *had taken* exercise.



SHREE H. N. SHUKLA COLLEGE OF I.T. & MGMT.

(AFFILIATED TO SAURASHTRA UNIVERSITY)

3- Vaishalinagar
Nr. Amrapali Railway Crossing
Raiya Road, Rajkot – 360001
Ph. No–(0281)2471645

2 – Vaishalinagar
Nr. Amrapali Railway Crossing
Raiya Road, Rajkot - 360001
Ph.No–(0281)2440478, 2472590

9. In Future Tense, while no changes are made except shall and will are changed into *would*.

Direct Speech: They said, “They *will take* exercise.”

Indirect Speech: They said that they *would take* exercise.

Direct Speech		Indirect Speech
Present Simple	↔	Past Simple
Present Continuous	↔	Past Continuous
Past Simple	↔	Past Perfect
Present Perfect	↔	Past Perfect
Will Future	↔	Would + Bare Infinitive
Can	↔	Could
Have To	↔	Had To
Imperative	↔	To Infinitive



SHREE H. N. SHUKLA COLLEGE OF I.T. & MGMT.

(AFFILIATED TO SAURASHTRA UNIVERSITY)

3- Vaishalinagar
Nr. Amrapali Railway Crossing
Raiya Road, Rajkot – 360001
Ph. No–(0281)2471645

2 – Vaishalinagar
Nr. Amrapali Railway Crossing
Raiya Road, Rajkot - 360001
Ph.No–(0281)2440478, 2472590

One-word question answer for Preposition:

Sr. No.	Question	Answer
1	If the reporting speech is in which tense, then no change is required to be made in the verb of reported speech?	Present/future
2	If the reporting verb is in which tense, then reported verb will be changed from Present indefinite tense to past indefinite tense.	Past
3	Present continuous is changed into past _____ tense.	Continuous
4	Present _____ is changed into the past perfect tense.	Perfect
5	Past continuous tense is _____ into past perfect continuous tense.	Changed
6	Are any changes required to be made into past perfect and past perfect continuous tenses?	No

Types of Sentences

Assertive Sentences

Sentences that make a statement are called assertive sentences. These sentences may be positive, negative, false, or true statements. To convert such sentences into indirect narration, use the rules as mentioned above except *said* is sometimes replaced with *told*. Look at the following examples:

Direct Speech: She says, "I am writing a letter to my brother."

Indirect Speech: She says that she is writing a letter to her brother.

Direct Speech: She says, "I was not writing a letter to my brother."

Indirect Speech: She says that she was not writing a letter to her brother.

Direct Speech: She said to me, "I am writing a letter to my brother."

Indirect Speech: She told me that she was writing a letter to her brother.



SHREE H. N. SHUKLA COLLEGE OF I.T. & MGMT.

(AFFILIATED TO SAURASHTRA UNIVERSITY)

3- Vaishalinagar
Nr. Amrapali Railway Crossing
Raiya Road, Rajkot – 360001
Ph. No–(0281)2471645

2 – Vaishalinagar
Nr. Amrapali Railway Crossing
Raiya Road, Rajkot - 360001
Ph.No–(0281)2440478, 2472590

One-word question answer for Preposition:

Sr. No.	Question	Answer
1	Sentences that make a what are called Assertive type of sentences?	Statement
2	To convert such sentences into indirect narration, use the rules as mentioned above except said is sometimes replaced with what?	Told
3	Which sentences may be positive, negative, false, or true statements?	Assertive

Imperative Sentences

Imperative sentences are sentences that give an order or a direct command. These sentences may be in the shape of advice, entreaty, request, or order. Mostly, it depends upon the forcefulness of the speaker. Thus, a full stop or sign of exclamation is used at the end of the sentence. For example:

Shut the door!

Please shut the door.

Repair the door by tomorrow!

To convert these types of sentences into indirect speech, follow the following rules along with the above-mentioned rules:

The reporting verb is changed according to reported speech into order in case the sentence gives a direct command.



SHREE H. N. SHUKLA COLLEGE OF I.T. & MGMT.

(AFFILIATED TO SAURASHTRA UNIVERSITY)

3- Vaishalinagar
Nr. Amrapali Railway Crossing
Raiya Road, Rajkot – 360001
Ph. No–(0281)2471645

2 – Vaishalinagar
Nr. Amrapali Railway Crossing
Raiya Road, Rajkot - 360001
Ph.No–(0281)2440478, 2472590

Examples

Direct Speech	Indirect Speech
We said to him, “Mind your own business.”	We urged him to mind his own business.
She said to him, “Consult a doctor.”	She suggested him to consult a doctor.
He said to me, “Write it again.”	He asked me to write it again.
You said to your father, “Please grant him leave for some time.”	You requested your father to grant him leave for some time.
My mother said to me, “Never tell a lie.”	My mother forbade me to tell a lie.

One-word question answer for Preposition:

Sr. No.	Question	Answer
1	Which sentences are sentences that give an order or a direct command?	Imperative
2	A full stop or sign of exclamation is used at the ___ of the sentence.	End
3	These sentences may be in the shape of advice, entreaty, request, or order. Mostly, it depends upon the forcefulness of whom?	Speaker

Interrogative Sentences

Those sentences, which ask questions, are called interrogative sentences. Every interrogative sentence ends at a sign of interrogation. For example:



SHREE H. N. SHUKLA COLLEGE OF I.T. & MGMT.

(AFFILIATED TO SAURASHTRA UNIVERSITY)

3- Vaishalinagar
Nr. Amrapali Railway Crossing
Raiya Road, Rajkot – 360001
Ph. No–(0281)2471645

2 – Vaishalinagar
Nr. Amrapali Railway Crossing
Raiya Road, Rajkot - 360001
Ph.No–(0281)2440478, 2472590

Do you live here?

Have you ever watched Terminator III movie?

Is it raining?

To convert interrogative sentences into indirect speech, follow the following rules along with the above-mentioned rules:

The reporting verb *said to* is changed into *asked*.

If the reporting speech is having the reporting verb at its start, then *if* is used in place of *that*.

If the reporting speech is having interrogative words like *who, when, how, why, when* then neither *if* is used nor any other word is added.

A full stop is placed at the end of the sentence instead of a mark of interrogation.

Examples:

Direct Speech	Indirect Speech
I said to her, "When do you do your homework?"	I asked her when she did her homework.
We said to him, "Are you ill?"	We asked him if he was ill.
You said to me, "Have you read the article?"	You asked me if I had read the article.
He said to her, "Will you go to the Peshawar Radio Station?"	He asked her if she would go to the Peshawar Radio Station.
She says, "Who is he?"	She says who he is.
Rashid said to me, "Why are you late?"	Rashid asked me why I was late.



SHREE H. N. SHUKLA COLLEGE OF I.T. & MGMT.

(AFFILIATED TO SAURASHTRA UNIVERSITY)

3- Vaishalinagar
Nr. Amrapali Railway Crossing
Raiya Road, Rajkot – 360001
Ph. No–(0281)2471645

2 – Vaishalinagar
Nr. Amrapali Railway Crossing
Raiya Road, Rajkot - 360001
Ph.No–(0281)2440478, 2472590

One-word question answer for Preposition:

Sr. No.	Question	Answer
1	Every interrogative sentence ends at a sign of which mark?	Question
2	The reporting verb <i>said to</i> is changed into what?	Asked
3	If the reporting speech is having the reporting verb at its start, then what is used in place of <i>that</i> ?	If
4	If the reporting speech is having _____ words like <i>who, when, how, why, when</i> then neither <i>if</i> is used nor any other word is added.	Interrogative

Exclamatory Sentences

Those sentences, which express our feelings and emotions, are called exclamatory sentences. Mark of exclamation is used at the end of an exclamatory sentence. For example:

Hurray! We have won the match.

Alas! He failed in the test.

How beautiful that dog is!

What a marvelous personality you are!

To change exclamatory sentences into indirect speech, follow the following rules along with the above-mentioned rules:

In case, there is an interjection, i.e., *alas, aha, hurray*, etc. in the reported speech, then they are omitted along with sign of exclamation.

Reporting verb, i.e., *said* is always replaced with *exclaimed with joy, exclaimed with sorrow, exclaimed joyfully, exclaimed sorrowfully* or *exclaimed with great wonder or sorrow*.

In case, there is *what* or *how* at the beginning of the reported speech, then they are replaced with *very* or *very great*.

In an indirect sentence, the exclamatory sentence becomes an assertive sentence.



SHREE H. N. SHUKLA COLLEGE OF I.T. & MGMT.

(AFFILIATED TO SAURASHTRA UNIVERSITY)

3- Vaishalinagar
Nr. Amrapali Railway Crossing
Raiya Road, Rajkot – 360001
Ph. No–(0281)2471645

2 – Vaishalinagar
Nr. Amrapali Railway Crossing
Raiya Road, Rajkot - 360001
Ph.No–(0281)2440478, 2472590

Examples

Direct Speech	Indirect Speech
He said, "Hurray! I have won the match."	He exclaimed with great joy that he had won the match.
She said, "Alas! My brother failed in the test."	She exclaimed with great sorrow that her brother had failed in the test.
They said, "What a beautiful house this is!"	They exclaimed that that house was very beautiful.
I said, "How lucky I am!"	I said in great wonder that I was very lucky.
You said to him, "What a beautiful drama you writing!"	You said to him in great wonder that he was writing a beautiful drama.

One-word question answer for Preposition:

Sr. No.	Question	Answer
1	Those sentences, which _____ our feelings and emotions, are called exclamatory sentences.	Express
2	Mark of exclamation is used at the end of an _____ sentence.	Exclamatory

Optative Sentences

Those sentences, which express hope, prayer, or wish, are called optative sentences. Usually, there is a mark of exclamation at the end of optative sentence. For example:

May you succeed in the test!



SHREE H. N. SHUKLA COLLEGE OF I.T. & MGMT.

(AFFILIATED TO SAURASHTRA UNIVERSITY)

3- Vaishalinagar
Nr. Amrapali Railway Crossing
Raiya Road, Rajkot – 360001
Ph. No–(0281)2471645

2 – Vaishalinagar
Nr. Amrapali Railway Crossing
Raiya Road, Rajkot - 360001
Ph.No–(0281)2440478, 2472590

May you get well soon!

Would that I was rich!

To change optative sentences into indirect speech, follow the following rules along with the above-mentioned rules:

In case, the reported speech starts with the word *may*, then the reporting verb *said* is replaced with the word *prayed*.

In case, the reported speech starts with the word *would*, then the reporting verb *said* is replaced with the word *wished*.

May is changed in *might*.

Mark of exclamation is omitted.

In indirect speech, the optative sentences become assertive sentences.

Examples:

Direct Speech	Indirect Speech
He said to me, "May you live long!"	He prayed that I might live long.
My mother said to me, "May you succeed in the test!"	My mother prayed that I might succeed in the test.
She said, "Would that I were rich!"	She wished she had been rich.
I said to him, "Would that you were here on Sunday!"	I wished he had been there on Sunday.
You said to me, " May you find your lost camera."	You prayed that I might find my lost camera.



SHREE H. N. SHUKLA COLLEGE OF I.T. & MGMT.

(AFFILIATED TO SAURASHTRA UNIVERSITY)

3- Vaishalinagar
Nr. Amrapali Railway Crossing
Raiya Road, Rajkot – 360001
Ph. No–(0281)2471645

2 – Vaishalinagar
Nr. Amrapali Railway Crossing
Raiya Road, Rajkot - 360001
Ph.No–(0281)2440478, 2472590

One-word question answer:

Sr. No.	Question	Answer
1	Those sentences, which express hope, prayer, or wish, are called which sentences?	Optative
2	Usually, there is a mark of _____ at the end of optative sentence.	Exclamation
3	In case, the reported speech starts with the word <i>may</i> , then the reporting verb <i>said</i> is replaced with the which word?	Prayed
4	In case, the reported speech starts with the word <i>would</i> , then the reporting verb <i>said</i> is replaced with the which word?	Wished

Important Word Changes

Words	Changed Into	Direct Speech	Indirect Speech
This	That	He says, "He wants to buy this book."	He says that he wants to buy that book.
These	Those	He says, "He wants to buy these books."	He says that he wants to buy those books.
Here	There	She says, "Everybody was here."	She says that everybody was there.
Now	Then	They say, "It's ten o'clock now."	They say that it's ten o'clock then.
Sir	Respectfully	They said, "Sir, the time is over."	They said respectfully that the time was over.
Madam	Respectfully	They said, "Madam, the time is over."	They said respectfully that the time was over.



SHREE H. N. SHUKLA COLLEGE OF I.T. & MGMT.

(AFFILIATED TO SAURASHTRA UNIVERSITY)

3- Vaishalinagar
Nr. Amrapali Railway Crossing
Raiya Road, Rajkot – 360001
Ph. No–(0281)2471645

2 – Vaishalinagar
Nr. Amrapali Railway Crossing
Raiya Road, Rajkot - 360001
Ph.No–(0281)2440478, 2472590

Words	Changed Into	Direct Speech	Indirect Speech
Today	That Day	She said, "I am going to London today."	She said that she was going to London that day.
Yesterday	The Previous Day	She said, "I visited Oxford University yesterday."	She said that she had visited Oxford University the previous day.
Tomorrow	Following Day or Next Day	She said, "I am going to London tomorrow."	She said that she was going to London the next day.
Tonight	That Night	She said, "I am going to see him tonight."	She said that she was going to see him that night.
Good Morning, Good Evening, Good Day	Greeted	She said, "Good morning, Sir David."	She greeted Sir David.

Unit-3

Preposition

A Preposition is a word placed before a noun or a pronoun to show in what relation the person or thing denoted by it stands in regard to something else. [The word Preposition means that which is placed before]

Type of Prepositions

- 1. Preposition of Time** Basic examples of time prepositions include: *at, on, in, before and after*. They are used to help indicate when something happened, happens or will happen. It can get a little confusing though, as many different prepositions can be used.



SHREE H. N. SHUKLA COLLEGE OF I.T. & MGMT.

(AFFILIATED TO SAURASHTRA UNIVERSITY)

3- Vaishalinagar
Nr. Amrapali Railway Crossing
Raiya Road, Rajkot – 360001
Ph. No–(0281)2471645

2 – Vaishalinagar
Nr. Amrapali Railway Crossing
Raiya Road, Rajkot - 360001
Ph.No–(0281)2440478, 2472590

(1) For years, months, seasons, centuries and times of day, use the preposition *in*:

*It's always cold **in** January*

*Easter falls **in** spring each year.*

(2) For days, dates and specific holiday days, use the preposition *on*.

*Christmas is **on** December 25th.*

*Buy me a present **on** my birthday.*

(3) For times, indicators of exception and festivals, use the preposition *at*:

*Families often argue **at** Christmas time.*

*I work faster **at** night.*

(4) *Before* and *after* should be much easier to understand than the other examples of prepositions of time. Both are used to explain when something happened, happens or will happen, but *before* is used for things that happen first and *after* for things that happen second.

*We will not leave **before** 3pm.*

*David comes **before** Bryan in the line,
but **after** Louise.*

(5) Other prepositions of time could include: *During*, *about*, *around*, *until* and *throughout*.

*I learned how to ski **during** the holidays.*

*He usually arrives **around** 3pm.*

One-word question answer for Preposition:



SHREE H. N. SHUKLA COLLEGE OF I.T. & MGMT.

(AFFILIATED TO SAURASHTRA UNIVERSITY)

3- Vaishalinagar
Nr. Amrapali Railway Crossing
Raiya Road, Rajkot – 360001
Ph. No–(0281)2471645

2 – Vaishalinagar
Nr. Amrapali Railway Crossing
Raiya Road, Rajkot - 360001
Ph.No–(0281)2440478, 2472590

Sr. No.	Question	Answer
1	A Preposition is a word placed before what?	Noun/pronoun
2	A Preposition is a word placed _____ a noun or a pronoun to show in what relation the person or thing denoted by it stands in regard to something else.	Before
3	A Preposition is a word placed before a noun or a pronoun to show in what relation the _____ denoted by it stands in regard to something else.	Person/thing
4	A Preposition is a word placed before a noun or a pronoun to show in what relation the person or thing denoted by it stands in regard to something _____.	Else.
5	For years, months, seasons, centuries and times of day, which preposition is used?	In
6	For days, dates and specific holiday days, which preposition is used?	On
7	For times, indicators of exception and festivals, which preposition is used?	At
8	which preposition are used to explain when something happened, happens or will happen, but specifically in relation to another thing?	Before/after
9	For Preposition of time <i>In</i> is used for denoting what?	Years/months/seasons/centuries

2. Preposition of Place



SHREE H. N. SHUKLA COLLEGE OF I.T. & MGMT.

(AFFILIATED TO SAURASHTRA UNIVERSITY)

3- Vaishalinagar
Nr. Amrapali Railway Crossing
Raiya Road, Rajkot – 360001
Ph. No–(0281)2471645

2 – Vaishalinagar
Nr. Amrapali Railway Crossing
Raiya Road, Rajkot - 360001
Ph.No–(0281)2440478, 2472590

On, at, in – also the most common prepositions to indicate position. However, the rules are a little clearer as place prepositions are a more rigid concept than time prepositions.

(1) **On** is used when referring to something with a surface:

*The images are **on** the page.*

*The specials are **on** the menu, which is **on** the table.*

(2) **In** is used when referring to something that is inside or within confined boundaries. This could be anything, even a country:

*The whiskey is **in** the jar **in** the fridge.*

*The girls play **in** the garden.*

(3) **At** is used when referring to something at a specific point:

*The boys are **at** the entrance **at** the movie theater.*

*He stood **at** the bus stop **at** the corner of Water and High streets.*

(4) Other prepositions of place, such as *under, over, inside, outside, above* and *below* are used in English.

*The cat is **under** the table.*

*Put the sandwich **over** there.*

*The key is locked **inside** the car.*

*They stepped **outside** the house.*



SHREE H. N. SHUKLA COLLEGE OF I.T. & MGMT.

(AFFILIATED TO SAURASHTRA UNIVERSITY)

3- Vaishalinagar
Nr. Amrapali Railway Crossing
Raiya Road, Rajkot – 360001
Ph. No–(0281)2471645

2 – Vaishalinagar
Nr. Amrapali Railway Crossing
Raiya Road, Rajkot - 360001
Ph.No–(0281)2440478, 2472590

One-word question answer for Preposition of place:

<u>Sr. No.</u>	<u>Question</u>	<u>Answer</u>
1	On is used when referring to something with a _____	Surface
2	In is used when referring to something that is _____ or within confined boundaries.	Inside
3	___ is used when referring to something at a specific point	At
4	<i>Under, over, inside, outside, above and below are example of which type of preposition?</i>	Place

3. Preposition of Movement

Prepositions of movement are quite easy to understand as they are less abstract than prepositions of place and time. Essentially, they describe how something or someone moves from one place to another.

(1) The most commonly used preposition of movement is *to*, which usually serves to highlight that there is movement towards a specific destination.

*He has gone on vacation **to** France.*

*She went **to** the bowling alley every Friday last summer.*

(2) *Across* refers to moving from one side to another.

*Mike travelled **across** America on his motorcycle.*

*Rebecca and Judi are swimming **across** the lake.*

(3) *Through* refers to moving directly inside something and out the other end.

*The bullet Ben shot went **through** the window.*

*The train passes **through** the tunnel.*

(4) *Into* refers to entering or looking inside something.



SHREE H. N. SHUKLA COLLEGE OF I.T. & MGMT.

(AFFILIATED TO SAURASHTRA UNIVERSITY)

3- Vaishalinagar
Nr. Amrapali Railway Crossing
Raiya Road, Rajkot – 360001
Ph. No–(0281)2471645

2 – Vaishalinagar
Nr. Amrapali Railway Crossing
Raiya Road, Rajkot - 360001
Ph.No–(0281)2440478, 2472590

*James went **into** the room.*

*They stare **into** the darkness.*

(5) *Up, over, down, past and around* indicate directions of movement:

*Jack went **up** the hill.*

*Jill came tumbling **down** after.*

*We will travel **over** rough terrain on our way to Grandma's house.*

*The horse runs **around** the track all morning.*

One-word question answer for Preposition of manner:

<u>Sr. No.</u>	<u>Question</u>	<u>Answer</u>
1	The most commonly used preposition of movement is?	To
2	<i>Preposition to</i> , which is usually used to highlight that there is movement towards a which destination?	Specific
3	Which preposition refers to moving from one side to another.	Across
4	Which preposition refers to moving directly inside something and out the other end?	Through
5	Into refers to _____ inside something.	Entering/looking
6	<i>Preposition Up, over, down, past and around</i> indicate _____ of movement.	Direction



SHREE H. N. SHUKLA COLLEGE OF I.T. & MGMT.

(AFFILIATED TO SAURASHTRA UNIVERSITY)

3- Vaishalinagar
Nr. Amrapali Railway Crossing
Raiya Road, Rajkot – 360001
Ph. No–(0281)2471645

2 – Vaishalinagar
Nr. Amrapali Railway Crossing
Raiya Road, Rajkot - 360001
Ph.No–(0281)2440478, 2472590

Prefix

Prefix is a group of letters (or an *affix*) that's added to the beginning of a word. Prefixes modify the meaning of a word. They can make a word negative, show repetition, or indicate opinion.



Cultural-Multicultural (*Multi* is a prefix)

Market-Supermarket (*Super* is a prefix)

Work-Overwork (*Over* is a prefix)

Regular-Irregular (*Ir* is a prefix)

Detailing:

Some Common Prefixes

Some of the most common prefixes in the English language are *dis-*, *in-*, and *un-*, which make words negative. For instance, adding the prefix *un-* to the word *kind* creates the word *unkind*, meaning *not kind*.

Another common prefix, *re-*, indicates repetition. For example, adding *re-* to the word *build* means “to build again.”



SHREE H. N. SHUKLA COLLEGE OF I.T. & MGMT.

(AFFILIATED TO SAURASHTRA UNIVERSITY)

3- Vaishalinagar
Nr. Amrapali Railway Crossing
Raiya Road, Rajkot – 360001
Ph. No–(0281)2471645

2 – Vaishalinagar
Nr. Amrapali Railway Crossing
Raiya Road, Rajkot - 360001
Ph.No–(0281)2440478, 2472590

Other prefixes can indicate position: *Sub*(meaning *under* or *below*) is found in common words like *subway* and *submarine*.

Prefix	Meaning	Example
non-, un-, im-, in-, il-, ir-	not, opposite	Nonsense, unhappy,
re-	again, back	revisit, replay
mis-	wrongly, not	misunderstand
de-	reverse, remove, out of	destruction, department
co-, com-, con-	with, together	construct, computer
dis-, dif-, di-	separation, away, apart	disease, dissect

VOA

Rules for Adding Prefixes

When you add a prefix to a word, you shouldn't change the spelling of the original word or the prefix. The words *disappear* (a combination of *dis-* and *appear*), *unhappy*, and *undo* all illustrate this guideline. Follow this rule even if the spelling results in double consonants, such as in the words *misspell*, *irredeemable* and *cooperation*.

One-word question answer for Prefix:

Sr. No.	Question	Answer
1	Prefix is a group of letters (or an <i>affix</i>) that's added to the _____ of a word.	Beginning
2	What modifies the meaning of a word?	Prefixes
3	Prefix can make a word negative, show repetition, or indicate what?	Opinion
4	Some of the most common prefixes in the English language are <i>dis-</i> , <i>in-</i> , and <i>un-</i> , which make words what?	Negative



SHREE H. N. SHUKLA COLLEGE OF I.T. & MGMT.

(AFFILIATED TO SAURASHTRA UNIVERSITY)

3- Vaishalinagar
Nr. Amrapali Railway Crossing
Raiya Road, Rajkot – 360001
Ph. No–(0281)2471645

2 – Vaishalinagar
Nr. Amrapali Railway Crossing
Raiya Road, Rajkot - 360001
Ph.No–(0281)2440478, 2472590

5	Prefix, <i>re-</i> , indicates what?	Repetition
6	Prefixes which indicate _____: <i>Sub</i> (meaning <i>under</i> or <i>below</i>) is found in common words.	Position
7	When you add a prefix to a word, you shouldn't change the what of the original word or the prefix?	Spelling
8	Follow the rule even if the spelling results in double _____, such as in the words <i>misspell</i> , <i>irredeemable</i> and <i>cooperation</i> .	Consonants
9	You should use a hyphen when joining a prefix to a which noun?	Proper
10	What should be used after the prefix <i>self-</i> (as in <i>self-esteem</i>)?	Hyphen
11	After the prefix <i>ex-</i> hyphen is to be used when it means what?	Former
12	Hyphens can also prevent _____, mispronunciation, or confusion with other words.	Misreading

You should use a hyphen when joining a prefix to a proper noun, as in *pro-American*. There should always be a hyphen after the prefix *self-* (as in *self-esteem*), and after the prefix *ex-* when it means *former* (as in *ex-husband*). Hyphens can also prevent misreading, mispronunciation, or confusion with other words. For example, you should hyphenate *re-cover* (*to cover again*) to avoid confusing it with *recover* (*to regain or repair*).

Suffix

Suffix is a group of letters (or an *affix*) that's added to the end of a word. Suffix modify the meaning of a word. Some suffixes add to or change a word's meaning. Others can signal the word's part of speech or indicate verb tense.

Suffixes:

Taste- Tasteless (less is a suffix)
Like-Likeable (able is a suffix)
Work- Worker (er is a suffix)
Jain –Jainism (ism is a suffix)



SHREE H. N. SHUKLA COLLEGE OF I.T. & MGMT.

(AFFILIATED TO SAURASHTRA UNIVERSITY)

3- Vaishalinagar
Nr. Amrapali Railway Crossing
Raiya Road, Rajkot – 360001
Ph. No–(0281)2471645

2 – Vaishalinagar
Nr. Amrapali Railway Crossing
Raiya Road, Rajkot - 360001
Ph.No–(0281)2440478, 2472590

Detailing:

Some Common Suffixes

Some common suffixes are *-ed*, *-ing*, and *-ly*. The suffix *-ed* changes verbs to the past tense. In the sentence “Sandy shoveled the snow,” the *-ed* suffix creates the past tense of the verb *to shovel*. The *-ing* suffix makes the verb take place in the present, as in the following sentence: “Sandy is shoveling the snow.”

The suffix *-ly* is commonly added onto adjectives to form *adverbs* (words that describe verbs, adjectives, or other adverbs). Examples of adverbs with the *-ly* suffix include *joyfully*, *quickly*, and *loudly*. The suffixes *-s* and *-es* make words plural, as in *foxes*, *lamps*, and *chairs*.

Suffix	Meaning	Example
-er, -or	one who; or showing a comparison	teacher, faster
-able, -ible	capable of being	unforgettable, credible
-d, -ed	forming the past tense; or having the quality of	added; loved
-ing	forming a gerund meaning an "act of"; or the present participle	meaning; jogging
-ment	the act, state or result of an action	appointment, government
-ive	having the quality of	creative, divisive

VOA

Rules for Adding Suffixes

When you add a suffix to a word, the original word usually keeps its original spelling. However, there are some exceptions to this rule: If the original word is one syllable and ends with a single consonant, double the last letter. For example, *tip* becomes *tipping* or *tipped*, and *run* becomes *running*. If the word ends in multiple consonants, as in the word *bank*, last letter doesn't get doubled.



SHREE H. N. SHUKLA COLLEGE OF I.T. & MGMT.

(AFFILIATED TO SAURASHTRA UNIVERSITY)

3- Vaishalinagar
 Nr. Amrapali Railway Crossing
 Raiya Road, Rajkot – 360001
 Ph. No–(0281)2471645

2 – Vaishalinagar
 Nr. Amrapali Railway Crossing
 Raiya Road, Rajkot - 360001
 Ph.No–(0281)2440478, 2472590

Some suffixes have more than one meaning. For example, the suffix *-er* may suggest a person who performs an action, like a *teacher*. But "er" is also commonly added to the ends of adjectives and adverbs. They compare two things and show that one is "more" than the other, such as in "faster" and "stronger."

The spelling of a base word can change when a suffix is added. This is true of most base words ending in the letter "y." For instance, when we add the suffix *-ness* to the word "crazy" to make "craziness," we replace the "y" with an "i." This rule is also true of many base words ending in a silent "e" when the suffix begins with a **vowel**. For example, in the words "write," "make" and "manage," we drop the "e" in the words when we add *-ing* to make: "writing," "making" and "managing." We also often drop the silent "e" before the suffix *-able* such as in "usable." Be careful, though, because with some words, we keep the "e," such as in "changeable" and "loveable."

One-word question answer for Suffix:

<u>Sr. No.</u>	<u>Question</u>	<u>Answer</u>
1	Suffix is a group of letters (or an <i>affix</i>) that's added to the ____ of a word.	End
2	Suffix modify what of a word?	Meaning
3	Some suffixes can signal the word's part of speech or indicate _____ tense.	Verb
4	Some common suffixes are <i>-ed</i> , <i>-ing</i> , and <i>-ly</i> . The suffix <i>-ed</i> changes verbs to which tense?	Past
5	The <i>-ing</i> suffix makes the verb take place in the which tense?	Present
6	The suffix <i>-ly</i> is commonly added onto what to form <i>adverbs</i> (words that describe verbs, adjectives, or other adverbs).	Adjectives



SHREE H. N. SHUKLA COLLEGE OF I.T. & MGMT.

(AFFILIATED TO SAURASHTRA UNIVERSITY)

3- Vaishalinagar
 Nr. Amrapali Railway Crossing
 Raiya Road, Rajkot – 360001
 Ph. No–(0281)2471645

2 – Vaishalinagar
 Nr. Amrapali Railway Crossing
 Raiya Road, Rajkot - 360001
 Ph.No–(0281)2440478, 2472590

7	When you add a suffix to a word, the original word usually keeps its _____ spelling.	Original
8	If the original word is one syllable and ends with a single consonant, then while adding suffix double the _____ letter.	Last
9	"er" is commonly added to the ends of adjectives and what?	Adverbs
10	The spelling of a base word can change when a suffix is added. This is true of most base words ending with which letter?	"y"
11	we replace the "y" with an "i." This rule is also true of many base words ending in a silent "e" when the suffix begins with what?	Vowel



SHREE H. N. SHUKLA COLLEGE OF I.T. & MGMT.

(AFFILIATED TO SAURASHTRA UNIVERSITY)

3- Vaishalinagar
Nr. Amrapali Railway Crossing
Raiya Road, Rajkot – 360001
Ph. No–(0281)2471645

2 – Vaishalinagar
Nr. Amrapali Railway Crossing
Raiya Road, Rajkot - 360001
Ph.No–(0281)2440478, 2472590

Unit-4 Dialogue-Writing

Dialogue-Writing

A Dialogue literally means "talk between two people". Dialogue-writing is a useful form of composition, especially for the Indian student who is trying to gain a command of spoken English. Under proper guidance, it should introduce him to the colloquial way of talking in English, and train him to express his thoughts in easy and natural constructions. The spoken English of the Indian school-boy is too often rather stilted and bookish, owing to the fact that he has not much chance of talking with English people; and anything that will help him to acquire naturalness and ease in speaking in English is of value.

Detailing:

To write a dialogue successfully, calls for a little dramatic power; for the writer has not only to see both sides of a question, but has also to put himself, so to speak, inside two imaginary persons so as to make them express their opposite opinions naturally and in keeping with their characters. He has in turn to be each one, and see the point of view of each on the question. A written dialogue should be so composed that it appears to be spontaneous or impromptu. The reader of it should not feel that it is premeditated, stilted and dull. At the same time, careful preparation is necessary for writing a dialogue, though this must not appear. The writer must have the art to conceal his art. It is always advisable to make a plan or outline of the dialogue before beginning to write; otherwise the dialogue may be rambling and pointless.



METHOD OF PROCEDURE

1. Carefully think over the subject given, and jot down briefly the arguments or opinions about it which might reasonably be expressed by the imaginary persons who are supposed to be talking.



SHREE H. N. SHUKLA COLLEGE OF I.T. & MGMT.

(AFFILIATED TO SAURASHTRA UNIVERSITY)

3- Vaishalinagar
Nr. Amrapali Railway Crossing
Raiya Road, Rajkot – 360001
Ph. No–(0281)2471645

2 – Vaishalinagar
Nr. Amrapali Railway Crossing
Raiya Road, Rajkot - 360001
Ph.No–(0281)2440478, 2472590

2. Arrange these ideas in some logical order, so that one will arise naturally from another in the course of the conversation. (It is well to write down these points in the form of an outline, or numbered heads, as a guide to follow in writing the dialogue.)
3. Try to imagine what would be the way in which each character in the dialogue would express his views. To do this, you must have in your mind a clear idea of the imaginary persons taking part in the conversation, so as to make them speak in character. (For instance, in Specimen, Swarup, the bookish student talks in a different way from Dilip Singh, the athletic student.)
4. Keep in mind that your dialogue, when completed, should read like a real, spontaneous conversation. So, try to make your imaginary characters talk in an easy, familiar and natural manner. Avoid stilted and bookish phrases. Try to remember how real people talk in friendly conversation, and reproduce that conversational style as well as you can.



SHREE H. N. SHUKLA COLLEGE OF I.T. & MGMT.

(AFFILIATED TO SAURASHTRA UNIVERSITY)

3- Vaishalinagar
Nr. Amrapali Railway Crossing
Raiya Road, Rajkot – 360001
Ph. No–(0281)2471645

2 – Vaishalinagar
Nr. Amrapali Railway Crossing
Raiya Road, Rajkot - 360001
Ph.No–(0281)2440478, 2472590

SPECIMENS

An imaginary conversation between a bookish student and an athletic student on the comparative merits of mental and physical culture.

DilipSingh.- Hello, Swarup ! Swotting away as usual. Come out, man; shut up your old books, and come and have a game of tennis.

Swarup.- I am sorry I cannot do that, Dilip. The examination is drawing near, and I want every hour I can get for study.

DilipSingh.- Oh! hang all examinations ! I do not worry about mine. What is the use of them, anyway?

Swarup.- Well, you can't get a degree if you don't pass the examination; and I have set my heart on being a B.Com Graduate.

DilipSingh.- And pray what good will B.Com do you? You may get a clerkship in a government office; but that's all. And there are hundreds of fellows who have got their degrees, and are no nearer getting jobs of any sort.

Swarup.- That may be so; but I am not studying so much to pass my examination and obtain my degree, as to store my mind with knowledge and develop my intellectual faculties.

DilipSingh.- My word ! How fine you "highbrows" can talk! "Develop my intellectual faculties,"! I tell you; all a man wants to get on in the world is some brains, plain common sense, and plenty of push. And you can't learn these things from books. And while you are "developing your intellectual faculties," you are spoiling your health You will soon be a thin, white, narrow-chested, half-blind weakling it 'you slick to your beloved books like this, look at me broad chest and feel my biceps! Anyway, I am developing my physical powers with my games and athletics.

Swarup.- Well, if I have to choose, I would rather have a learned and cultivated mind than a strong and well-developed body; for the mind is far more important than the body.

DilipSingh.- Oh ! I see! You mean to say that a man who plays football and hockey and is as strong as a horse, cannot have any brains?

Swarup.- I did not say that; but you may remember what Kipling said about "muddied oafs and flannelled fools."

DilipSingh.- Well, I must say you are very complimentary ! Kipling must have been idiot if he said that. Anyway, I would rather be "a muddied oaf than a white faced, spectacled book-worm, as blind as an owl.

Their teacher (coming in).-Hello! What are you two fellows quarreling about? [They explained.]

Teacher.- I see. Well, you are both right and both wrong. Swarup, a little more physical exercise will do you good and will not interfere with your mental culture; and Dilip Singh, a little more study will not in any way spoil your physical strength. So, go and have a game of tennis, Swarup; and afterwards you, Dilip, settle down to a few hours' study.



SHREE H. N. SHUKLA COLLEGE OF I.T. & MGMT.

(AFFILIATED TO SAURASHTRA UNIVERSITY)

3- Vaishalinagar
Nr. Amrapali Railway Crossing
Raiya Road, Rajkot – 360001
Ph. No–(0281)2471645

2 – Vaishalinagar
Nr. Amrapali Railway Crossing
Raiya Road, Rajkot - 360001
Ph.No–(0281)2440478, 2472590

One-word question answer for Dialogue writing:

<u>Sr. No.</u>	<u>Question</u>	<u>Answer</u>
1	A Dialogue literally means "talk between ___ people".	Two
2	Dialogue-writing is a useful form of what?	Composition
3	What is a useful form of a composition especially for the Indian student who is trying to gain a command of spoken English?	Dialogue-writing
4	Dialogue-writing will introduce readers to the _____ way of talking English, and train them to express their thoughts in easy and natural constructions.	Colloquial
5	How is spoken English of the Indian students is often described as?	Bookish
6	Dialogue-writing will help Indian students to acquire what and ease in speaking in English?	Naturalness
7	To write a dialogue successfully, writer needs a little _____ power.	Dramatic
8	For writing dialogue who has to see both sides of a question and also to put himself there.	Writer
9	A written dialogue should be so composed that it appears to be _____.	Spontaneous/impromptu.
10	The reader of dialogue writing should not feel that it is premeditated, stilted and what?	Dull
11	The writer must have what to conceal his art?	Art
12	It is always advisable to make what of the dialogue before beginning to write?	Plan/outline
13	Reader needs to carefully think over the subject given, and jot down briefly the _____.	Arguments/opinions
14	Readers must carefully jot down opinions which might be _____ by the imaginary persons who are supposed to be talking.	Expressed



SHREE H. N. SHUKLA COLLEGE OF I.T. & MGMT.

(AFFILIATED TO SAURASHTRA UNIVERSITY)

3- Vaishalinagar
Nr. Amrapali Railway Crossing
Raiya Road, Rajkot – 360001
Ph. No–(0281)2471645

2 – Vaishalinagar
Nr. Amrapali Railway Crossing
Raiya Road, Rajkot - 360001
Ph.No–(0281)2440478, 2472590

15	Arrange all the ideas in some _____ order.	Logical
16	Try to imagine what would be the way in which each character in the dialogue would express his _____.	Views
17	When completed, how should conversation in dialogue-writing read like?	Real/spontaneous
18	Which type of phrases are to be avoided?	Stilted/bookish



SHREE H. N. SHUKLA COLLEGE OF I.T. & MGMT.

(AFFILIATED TO SAURASHTRA UNIVERSITY)

3- Vaishalinagar
Nr. Amrapali Railway Crossing
Raiya Road, Rajkot – 360001
Ph. No–(0281)2471645

2-Vaishalinagar
Nr. Amrapali Railway
Raiya Road,Rajkot - 360001
Ph.No–(0281)2440478,2472590

BCOM SEM – 3

MACRO

ECONOMICS

INDEX

Sr. No.	Unit Name
1	FUNCTIONS OF MONEY AND COMONETS OF MONEY SUPPLY
2	THEORIES OF VALUE OF MONEY
3	KEYNESIAN THEORY-1
4	KEYNESIAN THEORY -2



SHREE H. N. SHUKLA COLLEGE OF I.T. & MGMT.

(AFFILIATED TO SAURASHTRA UNIVERSITY)

3- Vaishalinagar
Nr. Amrapali Railway Crossing
Raiya Road, Rajkot – 360001
Ph. No–(0281)2471645

2-Vaishalinagar
Nr. Amrapali Railway
Raiya Road, Rajkot - 360001
Ph.No–(0281)2440478,2472590

UNIT-I

CONCEPTS AND FUNCTIONS OF MONEY

Introduction

Money is any commodity accepted by general consent as a medium of economic exchange. It is the medium in which prices and values are expressed, as currency, it circulates anonymously from person to person and country to country thus facilitating trade.

Money is an indispensable element of modern civilization. To lay man, the rupee is money in India, the pound is money in England & the dollar is money in America. However, to an economist, the rupee, the pound & the Dollar are Different units of money. Hence, the question remains – what is money.

Definition of money:

In fact, it is difficult to define money in a strike sense. Money is a social convention. We accept money as a medium of payment because we accept others to accept it from us.

Different viewpoints have been adopted by difference economics by definition of money.

According to Seligman, “Money is a thing that possesses general acceptability.”

On the other hand, Economist Walker has defined money, as “Money is what money does.”

Prof. Price says, “Money means coins of metal”.

Functions of money.

- **A medium of exchange**

Money acts as a medium of exchange which can be used for buying and selling goods and services. This transfer of money from buyer to seller allows the transaction to take place. It plays a mediator role between purchases and sales. It replaced barter system with money exchange system.

- **A unit of account**

Money is the common standard for measuring relative worth of goods and services. Money is used to designate the prices of goods and services. Any item that is generally accepted as



SHREE H. N. SHUKLA COLLEGE OF I.T. & MGMT.

(AFFILIATED TO SAURASHTRA UNIVERSITY)

3- Vaishalinagar
Nr. Amrapali Railway Crossing
Raiya Road, Rajkot – 360001
Ph. No–(0281)2471645

2-Vaishalinagar
Nr. Amrapali Railway
Raiya Road, Rajkot - 360001
Ph.No–(0281)2440478,2472590

payment for goods and services is also the obvious choice for denominating the prices of those goods and services.

- **A storage of value**

Money's value can be retained over time and a convenient way to store wealth. Money can be used to transfer purchasing power from present into the future.

- **A standard of deferred payment.**

Money is used to designate future payments, such as those for loan repayments. The standard of deferred payment is a natural result of the standard unit of account and store of value functions of money.

Features of money.

- **Durability.**

Durability means that the item must be able to exist for a long time without deterioration and to withstand being used repeatedly.

Durability is critical for money to perform the related functions of medium of exchange and store value. Items that are considered currency, coins, and paper bills used as money meet this requirement. In modern days, money is made out of paper, metal and plastic which make money long lasting.

- **Portability**

Portability means that individuals are able to carry money with them and transfer it easily to other individuals.

This is why coins and paper money have historically proved popular. In modern days, money is carried from one place to another with less effort where a wallet can carry any type of money including note, coins and debit cards.

- **Divisibility.**

Divisibility means that the money can easily be divided into smaller units of value. When people used stones and tobacco as money, they were not able to divide those into small pieces in a standard form where they used it as a whole or divided into small pieces but it was lacking standardization. In modern days, people have notes and coins from low values to high values where they are used to divide money into small units of account.



SHREE H. N. SHUKLA COLLEGE OF I.T. & MGMT.

(AFFILIATED TO SAURASHTRA UNIVERSITY)

3- Vaishalinagar
Nr. Amrapali Railway Crossing
Raiya Road, Rajkot – 360001
Ph. No–(0281)2471645

2-Vaishalinagar
Nr. Amrapali Railway
Raiya Road, Rajkot - 360001
Ph.No–(0281)2440478,2472590

- **Uniformity**

Uniformity means that all versions of the same denomination of currency must have the purchasing power.

- **Limited Supply**

Limited supply means that restrictions on the amount of money in circulation ensure that values remain relatively constant for the currency.

Currently, respective country's Government has the responsibility to control an adequate money supply to market based on their monetary policies.

- **Acceptability**

Acceptability means that everyone must be able to use the money for transaction. Money is universally accepted anywhere in the world as a universal means for transaction.

Various Component Of Money Supply.

In India, to calculate the supply of money, four components are included in the supply of money. They are presented as M1, M2, and M3 & M4. This classification has been applied by the RBI since April 1977. But before 1968, RBI used only M and M1 to measure the supply of money. This concept provided very limited/narrow meaning to the supply of money. This concept provided very limited meaning to the supply of money. Therefore, in April, 1968 the other measurements and components were declared by the RBI they are called aggregate monetary resources according to the recommendation of second working group, RBI has included four components to calculate supply of money in an economy they are known as under.

(I) M1:

M1 is the first components of supply of money. It includes three other sub components as under:

(A) Total quantity of currency notes with the people:

This includes currency notes & coins. It also indicates the supply of currency money.

(B) Amount of demand deposit:

This includes the demand deposit of commercial bank & co operative banks.



SHREE H. N. SHUKLA COLLEGE OF I.T. & MGMT.

(AFFILIATED TO SAURASHTRA UNIVERSITY)

3- Vaishalinagar
Nr. Amrapali Railway Crossing
Raiya Road, Rajkot – 360001
Ph. No–(0281)2471645

2-Vaishalinagar
Nr. Amrapali Railway
Raiya Road,Rajkot - 360001
Ph.No–(0281)2440478,2472590

(C) Other deposited with RBI:

This includes the current account of deposit of the World Bank, IMF & other banks with the RBI.

(II) M2:

In M2, M1 plus post office saving deposits are included.

(III) M3:

M3 is a third component. It includes M2 plus time deposits of commercial & co-operative banks.

(IV) M4:

M4 is a fourth component. It includes M3 plus total post office deposits.

$FM1+M2+M3+M4$. It means:

1. Currency notes & coins with the people.
2. Demand deposits with commercial & co operative banks.
3. Other current account deposits with RBI + post office saving bank deposits + time deposits with banks + total post office deposits.

Thus, the four components maintained above are totals in order to measure the supply of money in India.

Importance of different components of money supply

Since independence & specially after starting economical planning in India, there has been a continued & sizable increase in the supply of money in our country. The supply of money has been an important & effective factor for prize rise & inflation during the period of planning.

In the first phase of planning, the banking section of our country did not develop, so hard case (M1) was being consumed in the dealings/trading/transaction. The only M1

was significant component. As the banking sector went on developing, credit money was being used instead of M1 reduced. This is the change of economy in our country, yet in comparison to other developed country. 70% trading is done, even today, through M1 and



SHREE H. N. SHUKLA COLLEGE OF I.T. & MGMT.

(AFFILIATED TO SAURASHTRA UNIVERSITY)

3- Vaishalinagar
Nr. Amrapali Railway Crossing
Raiya Road, Rajkot – 360001
Ph. No–(0281)2471645

2-Vaishalinagar
Nr. Amrapali Railway
Raiya Road, Rajkot - 360001
Ph.No–(0281)2440478,2472590

30% transactions are settled down through M2 & M3 in our country. While only 20% M1 is used in developed countries and 80% transactions are settled down through M2 & M3. Here, follows the reason for it:

1. As we stated above, the banking sector has not developed in our country as it has been in developed countries.

2. The rate of taxes are comparatively vary high in our country:

As a result there is great amount of black money in our country. Naturally, black money is to be paid only through hire cash means M1. The Reserve Bank of India is giving now more importance to M3. it helps in shaping and framing credit policy. For this it is necessary to spread the use of banking money through ATM, online banking etc. instead of cash money it can be said that in total supply of money in India

Quantity theory of money related to value of money which presumptions are made in it.

Introduction:

Value of money means purchasing power. Purchasing power is based upon the price of Goods and services. Value of money is determined by the market forces of demand and supply. There is inverse relationship between purchasing power or value of money and price. The tool used for measuring the value of money is called price index number. If price index number is decreased that means there is decrease in general price level. This means the value of money is increased.

Meaning and Definition of quantity theory of money:

The value of commodity is determined by its demand and supply, similarly the value of money is also determined by the demand and supply of the money. If other factors remain constant and if demand of money increases, value of money also increases and if the supply of money increases the value of money decreases.

“The value of money changes inversely and the price level directly of the changes in the quantity of money.”

- R. S. Sayers

Thus main essence of the quantity theory of money is that “Quantity of money has direct relation with price level and inverse relation with value of money.”

Assumption of the Quantity Theory/ Conditions of the theory:



SHREE H. N. SHUKLA COLLEGE OF I.T. & MGMT.

(AFFILIATED TO SAURASHTRA UNIVERSITY)

3- Vaishalinagar
Nr. Amrapali Railway Crossing
Raiya Road, Rajkot – 360001
Ph. No–(0281)2471645

2-Vaishalinagar
Nr. Amrapali Railway
Raiya Road, Rajkot - 360001
Ph.No–(0281)2440478,2472590

For the proper application of theory, all other factors must remain constant or unchanged. All these other factors are called assumptions. These are given below:

Demand of money should remain constant:

Quantity theory of money works properly only when the demand of money remains unchanged. In other words, the factors affecting the demand of money are assumed to be constant. The factors affecting demand of money are population, production, habit and nature of people, use of money etc.

Volume of transactions:

For the success of the theory it is assumed that the extent of deals remains constant, this means that transactions to be performed by money, must remain same. The volume of transactions to be effected by employment of the factors of production, volume of new securities and number of times they are sold for money. Technique of production, efficiency of management et.

Velocity of circulation of credit money:

The supply and velocity of circulation of credit money must also remain unchanged. On the basis of cash deposits in commercial banks, credit money is created. The proportion between the money in circulation and the credit money should remain constant so that the theory can properly work.

Velocity of money:

Velocity of circulation of money we mean the speed with money circulates hand to another hand for purchasing goods, within specific period. As per this assumption of the theory, velocity should remain constant.

Volume of Barter transactions:

The extent of deals made without the help of money should also remain constant, it means there is no change in the volume of barter transaction of the community, i.e. the volume of transaction without using money remains the same.

Money should not be stored:

All the coins and notes issued once should be in the circulation. If in between certain portion of money is stored this theory does not prove proper.

Fisher's quantity theory of money:

Prof. Irving Fisher has expressed the relationship between quantity of money and its value. All the economists who have presented the quantity theory of money have accepted the fact that the value of money is determined by the quantity of money. Prof. Fisher have explained



SHREE H. N. SHUKLA COLLEGE OF I.T. & MGMT.

(AFFILIATED TO SAURASHTRA UNIVERSITY)

3- Vaishalinagar
Nr. Amrapali Railway Crossing
Raiya Road, Rajkot – 360001
Ph. No–(0281)2471645

2-Vaishalinagar
Nr. Amrapali Railway
Raiya Road, Rajkot - 360001
Ph.No–(0281)2440478,2472590

the quantity theory of money by the following equation which is also known as ‘equation of exchange’

$$P = M/T$$

Where, P = General Price level

M = Quantity of money

T = Total volume of transactions

In above equation velocity of money is not taken into account. Hence, economist presented new equation.

$$P = MV / T$$

$$MV = PT$$

Where, V = Velocity of money

In above equation demand of money is presented by PT and quantity of money is presented by MV in which T and V are constant. However, this equation of exchange included only currency money and left out bank money. So it is called this equation is also imperfect because now-a-days the credit money also functions as medium of transaction which is not consider in this equation. For actually measuring the value of money properly, credit money and its velocity must be considered.

Prof. Fisher gives explanation of theory of transaction of quantity by the following equation.

$$PT = MV + M'T'$$

$$P = MV + M'V'/T$$

Where, M' = Credit money / Bank money

V' = Velocity of money

In above equation two fundamental points in the equation are given.

1. P, price level changes because the quantity of money changes.



SHREE H. N. SHUKLA COLLEGE OF I.T. & MGMT.

(AFFILIATED TO SAURASHTRA UNIVERSITY)

3- Vaishalinagar
Nr. Amrapali Railway Crossing
Raiya Road, Rajkot – 360001
Ph. No–(0281)2471645

2-Vaishalinagar
Nr. Amrapali Railway
Raiya Road,Rajkot - 360001
Ph.No–(0281)2440478,2472590

2. The price level changes directly and in the same proportion as the quantity of money (m). E.g. if the quantity of money increased by 50 percent, price level (p) will also increase exactly by 50 percent.

Cash balance equation of Cambridge:

To prevent the defects of the Fisher's theory, some economists made some additions and changes to it to give it a new form. This was done by Cambridge economists like Prof. Marshall, Pigou, Keynes etc.. The new equation presented by them is known as Cambridge equation. It is also known as cash balance approach.

The cash balance approach emphasis the "Store of value function of money and not the medium of exchange function". This theory is related with quantity of money which people desire to keep it in the form of cash for a given period of time.

The theory presented by Fisher is more popular in America, while the theory presented by Cambridge economist is more popular in Europe.

Demand for money in cash balance version:

The community's demand for money is conceived of as a aggregate cash balance or money holdings of all individuals at a given moment of time. As Fisher's theory is based on supply of money, similarly Cambridge theory is based on demand of money. There are three main reasons for holding cash balance.

- a) People like cash to buy goods and services that is to conduct day to day transaction. This is known as transaction motive for holding cash.
- b) People like to keep cash as measure of protection in the event of emergencies. This is known as precautionary motive for holding cash.
- c) People hold cash for speculative purpose that is to earn profit as a result of fluctuations in the rate of interest.

In this manner the total cash on hand kept by an individual, institution or the government to fulfill different motives, which is called total demand of money. It is known as liquidity preference.

Supply of money in cash balance version:

The supply of money is composed of all the cash and deposits subject to withdrawal of cheques.



SHREE H. N. SHUKLA COLLEGE OF I.T. & MGMT.

(AFFILIATED TO SAURASHTRA UNIVERSITY)

3- Vaishalinagar
Nr. Amrapali Railway Crossing
Raiya Road, Rajkot – 360001
Ph. No–(0281)2471645

2-Vaishalinagar
Nr. Amrapali Railway
Raiya Road,Rajkot - 360001
Ph.No–(0281)2440478,2472590

Cash balance equation:

The relationship between price level and supply of money has been expressed by the Cambridge economists in the form of equations known as cash balance equations or the Cambridge equations. We discuss below the equation as presented by Pigou :

$$P = KR / M$$

Here,

M = Total quantity of money

P = Price level of goods

R = Total real income of nation

K = That portion of real income which people want to keep in the form of cash.

It is clear from this equation that P, the purchasing power will vary directly with K or R and inversely with M. This means that price level will vary inversely with K or R and directly with M. Therefore, if P is taken to represent the price level as in Fisher's equation, then Pigou's equation can be restated as.

$$P = M / KR$$

$$M = PKR$$

In short, as per the opinion of Cambridge economist there is inverse relation between demand of money and price. While demand of money and price has direct relation. So, when other factors remain constant and demand of money increases, then there is decrease in price level and value of money increases. Contrary to it, when the demand of money gets reduced, then there is increase in price level and value of money gets reduced.



SHREE H. N. SHUKLA COLLEGE OF I.T. & MGMT.

(AFFILIATED TO SAURASHTRA UNIVERSITY)

3- Vaishalinagar
Nr. Amrapali Railway Crossing
Raiya Road, Rajkot – 360001
Ph. No–(0281)2471645

2-Vaishalinagar
Nr. Amrapali Railway
Raiya Road, Rajkot - 360001
Ph.No–(0281)2440478,2472590

Unit 2 Indian Financial System

Introduction

It is generally believed that the person or the institution, which accepts the deposits or lends money, is called 'Bank', but this explanation is not proper from the viewpoint of economics and banking system. As we know, many insurance companies accept deposits and the same way, money - lenders lend money. Nevertheless, they are not called bankers. Money - lenders lend only. They don't lend after accepting the deposit, while banker or bank is a person or institute that accepts / receives deposits and lends also.

Definition and Meaning of the Bank:

Defining bank, Crowther says, " The bank is an institution, which collects deposits from the people / different sources, who have spare /surplus money or who save, and then lends to them, who need it.

'Bank' has been defined Clause No.3 of Negotiable Instrument Act of India as under:

"The word 'banker' includes the person or company or corporation, which functions as the banker".

The Banking Act, 1949 defines, "A banking company is one, which transact the business of banking, which means the accepting for the purpose of lending or investment of deposit of money from the public, repayable on demand or otherwise by cheque, draft or order".

Importance of Bank:

[1] Banks makes Financial Transaction Safe:

It is natural that cash transactions are comparatively unsafe, while banking has made monetary transactions safer and speedy. Moreover, transactions are mentioned and noted in the books of account of the bank. This is also one type of documentary safety.

[2] Bank Satisfies Monetary Needs:

The banks accept deposits and lend them also. The banking system tries to satisfy monetary needs / financial requirement of agriculture, trade, industry and service sector. Its important function is Credit Creation.

[3] Bank helps to reduce unemployment and poverty:



SHREE H. N. SHUKLA COLLEGE OF I.T. & MGMT.

(AFFILIATED TO SAURASHTRA UNIVERSITY)

3- Vaishalinagar
Nr. Amrapali Railway Crossing
Raiya Road, Rajkot – 360001
Ph. No–(0281)2471645

2-Vaishalinagar
Nr. Amrapali Railway
Raiya Road,Rajkot - 360001
Ph.No–(0281)2440478,2472590

These days, banks provide loans and advances for the purchase of various consumer items. Thus, the banking promotes the production and sale of such articles. The banking provides loans and advances to unemployed people for self employment. Thus, it plays an important role, firstly for the removal of unemployment and ultimately, the poverty.

[4] Bank makes economic development possible:

Targets or goals are fixed / decided in different sectors of economy for development. Naturally, money is required to achieve such targets. Here, bank comes to help / assist.

[5] Bank promotes international trade:

These days, no country may remain aloof (separate) or totally independent. All the countries depend upon one another. Mostly, each and every country is involved in export and import. Bank arranges for finance /foreign exchange for international trade.

Types / kinds of Banks

The Commercial Bank:

The bank, which lends to trade, commerce and industry particularly with a view, to earning profit, is a commercial bank. It insists for security for their business safety. They discount exchange bills and Hundies also. Our nationalized banks are such commercial banks. State Bank of India, Bank of India, Punjab National Bank etc. are the examples of commercial banks.

The Industrial Bank:

These banks satisfy the long term finance need of trade and industry. They provide finance to them for purchasing machineries and capital goods / assets. Such banks are helpful to companies for the issue of shares and debentures. IDBI and ICICI are the examples of such bank.

The Agricultural Bank:

The agricultural field requires short term, medium term and long term financial needs. Such banks provide such facilities in agricultural field and rural areas. The co-operative banks are playing a great role in the agricultural field and rural areas. The co-operative banks are playing a great role in the agricultural field of India. The Land Development Bank, provides long term monetary needs. The Region Rural Bank pay attention to the need of agricultural field in our country. **The Savings Bank:**



SHREE H. N. SHUKLA COLLEGE OF I.T. & MGMT.

(AFFILIATED TO SAURASHTRA UNIVERSITY)

3- Vaishalinagar
Nr. Amrapali Railway Crossing
Raiya Road, Rajkot – 360001
Ph. No–(0281)2471645

2-Vaishalinagar
Nr. Amrapali Railway
Raiya Road, Rajkot - 360001
Ph.No–(0281)2440478,2472590

The bank, which performs the function of collecting small savings of middle class people, is a saving bank. Such banks are not involved / engaged in lending, so they may not be called 'Bank' in a strict sense. The post office collects savings in our country. They are called 'Post - office saving Banks'.

The Foreign Exchange Bank:

The bank, which promotes and makes foreign trade easier and smoother is a 'Foreign Exchange Bank'. It converts the currency of one country into currency of another country as per requirement. They lend for foreign trade also. They perform function as commercial banks also. The Exim Bank is the example here.

The Central Bank:

These days, each and every country has a central bank. Profit making is not a primary object of the Central Bank. The Central Bank issues /mints currency notes and coins on behalf of the government. It controls the supply and demand of the money in country. It implements financial policy of the government. The Bank of England and The Federal Bank of America are Central banks of England and America respectively. The Reserve Bank of India is the Central Bank of country. As we know, the RBI was established in April, 1935 in our country, as the Central Bank and with the passage of time, the RBI was nationalized in 1949.

The International Bank:

The bank of which the function is not limited to one particular country is an international bank. The World Bank and The International Monetary Fund [IMF] are such institutes. Such banks / institutes were established for rebuilding / reconstructing / re-habilitation of the countries affected in the world war-II, and it aims at the economic development of under-developed or developing countries. Moreover, it solves the problems of monetary transactions / exchange among different countries.

Money Lending Business/ Shroff / Deshi Bank

The banking is an age-old concept in our country. Of course, there is no doubt that the western type / systematic banking has developed after freedom in India. Many times, money - lenders and shroffs are considered to be bank / bankers, but there is difference between them. Money-lenders lend only, so they are not 'banker' in a strict sense, while shroff accept deposit and lend also, so they can be termed as bankers.



SHREE H. N. SHUKLA COLLEGE OF I.T. & MGMT.

(AFFILIATED TO SAURASHTRA UNIVERSITY)

3- Vaishalinagar
Nr. Amrapali Railway Crossing
Raiya Road, Rajkot – 360001
Ph. No–(0281)2471645

2-Vaishalinagar
Nr. Amrapali Railway
Raiya Road, Rajkot - 360001
Ph.No–(0281)2440478,2472590

Commercial Banks

A Commercial bank is a profit seeking business firm dealing in money or rather claims to money. The greater part of money supply is the direct consequence of the profit seeking or money creating activities of commercial banks.

Functions Of Commercial Banks.

The major functions of commercial banks can be classified as follows:

Primary Functions:

1. Accepting deposits:

The commercial banks cannot run its business on its own capital, therefore deposits are accepted by the banks in various forms. These deposits are called 'Primary Deposits'. The important and basic types of deposits are as under:

- **Current Account Deposits:**

This account is operated by traders, businessmen and industrialists. Customers have the facility to deposit and withdraw from such account as many times as they wish. No interest is paid on such accounts. Customers are given overdraft facility on this account.

- **Saving Account Deposits:**

Such accounts are opened / preferred by salaried / fixed income people. It can be opened with a nominal / small amount also. It earns interest less than fix deposits. Interest is calculated as per the system of the bank and account holder is issued a passbook and a cheque book also. There may be different types of saving deposits/recurring deposits, monthly income, schemes and minor saving deposits.

- **Fixed Account Deposits:**

In such accounts, money is deposited for a fixed period of time. On maturity the investor is paid the principal plus the interest for a given period. The rate of interest is as per the duration of the account.

- **Recurring Deposit Account:**

Recurring deposit account is beneficial for small savers. Here the account holder has to deposit a given amount every month and it is deposited for a given period. At time of



SHREE H. N. SHUKLA COLLEGE OF I.T. & MGMT.

(AFFILIATED TO SAURASHTRA UNIVERSITY)

3- Vaishalinagar
Nr. Amrapali Railway Crossing
Raiya Road, Rajkot – 360001
Ph. No–(0281)2471645

2-Vaishalinagar
Nr. Amrapali Railway
Raiya Road,Rajkot - 360001
Ph.No–(0281)2440478,2472590

maturity principal and interest earned is paid to account holder. The interest rate on recurring deposit is higher than saving account deposit but lower than fixed account deposit.

2. Advancing loans:

The second important function of a bank is loans and advances. As mentioned above, the commercial banks collect funds / deposits in various forms from people / consumers. Banks pay them interest at a lower rate and provide loans and advances at a higher rate of interest. Thus, banks earn profit.

While sanctioning loans and advances, the bank considers the financial and business capacity of the applicant. Moreover, the bank considers the liquidity of its own deposits. Bank should provide loans and advances such a way that it may pay interest to its depositors, it may run its managerial expenditures and it may earn reasonable profit. The loans and advances may be classified as under depending upon the time limit.

- **Cash Credit:**

Banks provide loans for a given period on the security of shares, debentures and movable and immovable properties. This is the most common method of advancing loans.

- **Loans and advances:**

Under it banks provide loans and advances to its customers on adequate securities. Such amount of loans and advances are deposited in the account of the borrower and borrower can withdraw the amount as and when he requires. Such facility is given for a certain period.

- **Overdraft:**

Overdraft facility is provided under the current account. The current account holder can withdraw more than the deposit in the account. The overdraft facility depends on the credit of the customers. Such facility is given for short term and emergency purpose.

- **Discounting of bills of exchange:**

Under this method banks provide credit against eligible commercial bills. Seller writes such bills and buyer accepts it. The buyer promises to pay given amount for given period. Such bills are discounted by banks and payment is made to the customer.



SHREE H. N. SHUKLA COLLEGE OF I.T. & MGMT.

(AFFILIATED TO SAURASHTRA UNIVERSITY)

3- Vaishalinagar
Nr. Amrapali Railway Crossing
Raiya Road, Rajkot – 360001
Ph. No–(0281)2471645

2-Vaishalinagar
Nr. Amrapali Railway
Raiya Road, Rajkot - 360001
Ph.No–(0281)2440478,2472590

Secondary Functions

The secondary functions are classified as :

1. Agency functions:

Banks act as agents of their customers and render services. The following are the agency functions of the banks:

a. Collection of payment of cheques, bills of exchange and other letter of credit:

Banks collect payments of cheques, bills of exchange and other letter of credit deposited by the customer in the bank. Banks act as an agent on behalf of the customer and collect deposits.

b. Receiving payments for customers:

Banks also receive rent, interest, dividend etc on behalf of their customer.

c. Payment on behalf of customers:

Banks not only receive payments on behalf of their customers but also make payments on behalf of customers in the form of rent, interest, dividends, commission etc.

d. Transfer of money:

Banks transfer money from one place to another as directed by their customers. Bank draft, postal and telegraphic transfers are the methods through which such transfers take place.

e. Purchase and sale of shares of securities:

Banks purchase and sell shares, securities on behalf of their customers.

f. Functions of Managers, Trustee and Executor:

On the direction of customer, bank performs the function of manager, trustee and executor.

g. Underwriting function:

Large industrial houses raise capital from market. Banks help companies to raise money by acting as an underwriter.

2. General Utility Function:



SHREE H. N. SHUKLA COLLEGE OF I.T. & MGMT.

(AFFILIATED TO SAURASHTRA UNIVERSITY)

3- Vaishalinagar
Nr. Amrapali Railway Crossing
Raiya Road, Rajkot – 360001
Ph. No–(0281)2471645

2-Vaishalinagar
Nr. Amrapali Railway
Raiya Road, Rajkot - 360001
Ph.No–(0281)2440478,2472590

Besides agency function, banks also perform other services

a. Locker facility:

Banks provide locker facility which enables customers to keep valuables like gold, shares, important documents with the banks.

b. Financial Adviser:

Banks advise their customers on economic and financial matters.

c. Referee

A commercial banks acts as a referee to the financial standing of his customers. This is a very valuable service to businessmen for it enables them to obtain goods and services on credit.

Credit Creation By Commercial Banks.

- Banks occupy a special position in the monetary system because of their ability to create credit. According to Sayer, “Banks are not merely purveyors of money, but also in an important sense, manufacturers of money.”
- The credit creation is done by the entire banking system. Therefore it is called as multiple credit creation.
- In a modern economy, a large proportion of the total supply of money consists of banks demand deposits.
- When customer of the bank deposit cash with the bank, it create demand deposit in the name of the customer. Such deposits are known as primary deposits.
- The banks knows from the experience that the money kept in primary deposits are not withdrawn at one go.
- The money is withdrawn in installments. The banks knows that it requires a certain volume of cash to meet these withdrawals. The banks therefore maintain cash reserves to meet these commitments. The remaining amount is used by the banks to create credit.
- When banks grants a loan to customer, it does not make payment in cash. Instead the bank opens an account in the name of the customer. Such deposits are known as derivative deposits and arise from grating of loan by the bank.
- The customer is authorized to withdraw money from this account by issuing cheques as and when required. It is because of this system that we have the banking maxim: “Every loan creates a deposit.”



SHREE H. N. SHUKLA COLLEGE OF I.T. & MGMT.

(AFFILIATED TO SAURASHTRA UNIVERSITY)

3- Vaishalinagar
Nr. Amrapali Railway Crossing
Raiya Road, Rajkot – 360001
Ph. No–(0281)2471645

2-Vaishalinagar
Nr. Amrapali Railway
Raiya Road,Rajkot - 360001
Ph.No–(0281)2440478,2472590

- Now the customer with derivative deposit may issue cheques out of this deposit to make payments arising out of business transactions. The payees in these transactions may deposit these cheques with another bank.
- Now this another bank accepts these cheques as primary deposits on the basis of which it will create derivative deposits. In this way the total volume of credit created by all the banks are a multiple of the initial amount created by the initial bank.
- Let us illustrate the process with the help of an example. Suppose the CRR

Meaning of NPA:

"The interest or the installment, which has not been paid since last two quarterly periods on all types of advances and loans, is called NPA of the financial Institution".

Term loan, cash credit, over draft and bill purchasing - all these are included in loans and advances, when loans and advances are not recovered timely, they are known as 'NPA'. NPA is also called 'Inefficient Assets' of nationalized banks.

Reason & Recommendations/Suggestions for NPA:

Here follows the detailed study of reasons and recommendations of/for NPA:

Reason - Sick Industrial Units:

Sometimes, the owners of the business unit pay installment and interest regularly to the bank for some particular period. But, as the time passes, sometimes it becomes difficult and financial administration cannot be done and payment of installment and interest becomes difficult. With the passage of time, such a unit is declared as 'sick unit'. The bank is forced to take an account of such a business unit into NPA.

Recommendation/suggestion:

The bank must watch the progress/condition of business constantly. As soon as something is heard about 'sickness' of the unit, immediate steps/action should be taken for recovery of such account.



SHREE H. N. SHUKLA COLLEGE OF I.T. & MGMT.

(AFFILIATED TO SAURASHTRA UNIVERSITY)

3- Vaishalinagar
Nr. Amrapali Railway Crossing
Raiya Road, Rajkot – 360001
Ph. No–(0281)2471645

2-Vaishalinagar
Nr. Amrapali Railway
Raiya Road,Rajkot - 360001
Ph.No–(0281)2440478,2472590

Reason - Defective Valuation/faulty Appraisal of the project:

Sometimes, it happens that the business unit applies for loans and advances; it has to present the project report. The valuation/appreciation, done by the banking officer is, sometimes, defective and over finance, than the real capacity, is provided to the business unit. Naturally, the unit becomes incapable of repayment and thus, the account becomes NPA.

Recommendation/suggestion:

It can be suggest here that appreciation/appraisal/valuation of business report must be carried out properly. In fact, this is the root from where NPA may be prevention is always better than cure.

Reason – Incomplete Document:

Very often the documents provided by the business unit are not sufficient. The Bank officer let them go and remain flexible / adjustable for one or another reason. When the time for installment and interest comes, the account holder may escape from the responsibility due to insufficient documents. Finally, the bank has to fetch such an account to NPA.

Recommendation/suggestion:

The bank officer should not remain flexible as far as requirement of document is concerned. This will prevent increase in NPA.

Reason - Political Influence:

It happens that improper persons/business units may bring political pressure upon the banks for loans and advances. Naturally, such loans and advances are used for the purpose other than business. When the time comes for installment and interest, such improper persons/business units intentionally become bankrupt in the market and their accounts become NPA.

Recommendation/suggestion:

It can be suggested here that political influence should not be given priority and the bank officers should be empowered to reject such application and pressure. Moreover, politicians should behave responsibly and reasonably.



SHREE H. N. SHUKLA COLLEGE OF I.T. & MGMT.

(AFFILIATED TO SAURASHTRA UNIVERSITY)

3- Vaishalinagar
Nr. Amrapali Railway Crossing
Raiya Road, Rajkot – 360001
Ph. No–(0281)2471645

2-Vaishalinagar
Nr. Amrapali Railway
Raiya Road, Rajkot - 360001
Ph.No–(0281)2440478,2472590

Reason - Acceptance of weak securities:

It is natural that loans and advances are provided against securities, but it is experienced that some banks and their officers become very generous at the time of valuation of security and grant of loans and advances. When the account holder does not pay interest and installment, his securities are not found enough to cover his loans and advances and thus, the issue of NPA arises.

Recommendation/suggestion:

The bank officer should accept only concrete securities which are having the highest range of liquidity.

Reason - Acceptance of weak securities:

It is our general experience that our laws proved to be very weak and humble, when implementation is required. Not only that the court proceeding goes on for couple of years. As we know, our total system is as good as corrupted and there are loopholes in our laws. All these generate the problem of NPA.

Recommendation/suggestion:

The loop holes of the law must be filled up concretely. Strict actions/steps must be taken against violation or corrupt people. Really, something should be done to set 'fear of law' in the heart of law breakers.

Reason - Inadequate efforts for recovery:

It is natural that the installment and interest both are paid regularly in the beginning, but there after irregularity enters because of many reasons. The bank officers themselves are not much alert for such account in initial stage and ultimately such an account become NPA.

Recommendation/suggestion:

The bank officer should remain alert about such account holders and such suspected accounts must be monitored at a suitable interval of time. The officer must take actions before it is too late.

Reason - Facility of subsidy/compensation relief in recovery:

A facility of relief of granted in agricultural finance in 1990. Thereafter, farmers and account holders are tempted to wait for the declaration of relief in loans and advances. Thus, the



SHREE H. N. SHUKLA COLLEGE OF I.T. & MGMT.

(AFFILIATED TO SAURASHTRA UNIVERSITY)

3- Vaishalinagar
Nr. Amrapali Railway Crossing
Raiya Road, Rajkot – 360001
Ph. No–(0281)2471645

2-Vaishalinagar
Nr. Amrapali Railway
Raiya Road,Rajkot - 360001
Ph.No–(0281)2440478,2472590

account holder affords/ is able to pay interest and installment, they do not do so and they postpone or withheld the payment. This is one kind of intentional bankruptcy under the name of compensation or relief.

Recommendation/suggestion:

The government should abolish any kind of unnecessary concession/relief/subsidy. It should be made very much clear to the account holder that interest and installment must be paid regularly.

Reason – Lack of Trained staff for recovery of NPA:

In fact, the concept of NPA has come into limelight comparatively in the recent years, yet the issue of NPA is an age-old banking sector just recently. The banking officers are not trained sufficiently for the recovery of accounts likely to be NPA. Many a time, the banking officers do not know the process to be followed, when account becomes NPA. Such a way, seasoned account holders may take disadvantages of bank officers.

Recommendation/suggestion:

To overcome this barrier, the banking officers must be trained with seminars etc. they should be provided with the knowledge of, firstly, the banking process and then, court proceedings for such recoveries.

Reason - Non-computerized banking system/difficulty in core banking:

The computer has entered the banking sector, but its scope is limited to metros and some big cities only. The bank and their branches at rural level and some urban level are not equipped with computerization. In absence of computers, it really becomes difficult to trace the accounts, which are on the verge of NPA.

Recommendation/suggestion:

It can be suggested that computerization should be adopted equally at all levels, and it should be used to trace the accounts likely to be NPA.

Reason - Corrupted bank officer/banking system:

Corruption is wide spread in our country. Banking sector is not an exemption. The corrupted bank officers provide loans and advances to improper persons and business units. Not only officers and managers, but also general managers/chairmen of national bank are involved in



SHREE H. N. SHUKLA COLLEGE OF I.T. & MGMT.

(AFFILIATED TO SAURASHTRA UNIVERSITY)

3- Vaishalinagar
Nr. Amrapali Railway Crossing
Raiya Road, Rajkot – 360001
Ph. No–(0281)2471645

2-Vaishalinagar
Nr. Amrapali Railway
Raiya Road,Rajkot - 360001
Ph.No–(0281)2440478,2472590

the scams of loans and advances for crores of rupees. When such a thing happens, there is no way out.

Recommendation/suggestion:

In fact, corruption has become a global issue, so there is little hope for it in our country. Nevertheless, when such officers are identified, they must be punished so strictly that others may get a lesson from it.

Reason - Natural factors:

Sometimes, natural factors play a major role and account holder becomes unable to pay installment and interest. Draught excess rain, cyclones, earth quack etc. are natural factors/elements. At such a time, some accounts may be NPA.

Here, it is remarkable that the bank itself provides relief, aid, compensation or subsidy to account holder in above circumstances.

Recommendation/suggestion:

Sometimes, it happens that account holder may fetch undue benefit from the natural factors. The bank should remain alert that only real victims should be granted relief and compensation.

Central Bank

A Central Bank is the highest financial institution in the country. It is the leader of banking system and highest monetary authority of the country. Central bank of India is The Reserve Bank Of India. It was set up on 1 April 1935 as private shareholders bank. It was nationalized on 1 January 1949. Since then RBI is performing various functions of a Central Bank.

Functions or Role of Central Bank.

A Central Bank of any country performs certain significant functions for public welfare. M.H.De.Cock in his book on “Central Banking” has highlighted the following functions of the Central Bank. They are as follows.



SHREE H. N. SHUKLA COLLEGE OF I.T. & MGMT.

(AFFILIATED TO SAURASHTRA UNIVERSITY)

3- Vaishalinagar
Nr. Amrapali Railway Crossing
Raiya Road, Rajkot – 360001
Ph. No–(0281)2471645

2-Vaishalinagar
Nr. Amrapali Railway
Raiya Road,Rajkot - 360001
Ph.No–(0281)2440478,2472590

- **Bank of Issue:**

A Central Bank is the bank of issue in the country. It enjoys monopoly of note issue in the country. It enjoys monopoly of note issue. In India RBI as monopoly power to issue currency. When this power is given only to central bank there will be two advantages.

1. There will be homogeneity in note issue.
2. There will be elasticity in amount of money.

- **Banker To Government:**

A central bank is banker to government. As a banker to government, a central bank keeps deposits of different government bodies and transfers money from one account to other account as per the instructions of the government. Further, a central bank as a banker to the government provides loans to government whenever latter demands. A central bank is also a advisor and agent to government. As advisor to government it provides important advices to government with regards to formation of economic policies. As agent to government central bank will buy or sell government securities in the market.

- **Banker to Banks:**

A Central Bank is the banker to banks in the country. As a banker to the banks central banks performs the following functions:

1. It accepts deposits of money from various banks of the country. All banks in the country are supposed to keep deposits with the central bank.
2. A central bank acts as a center of clearing house. Interbank indebtedness is settled through the central bank.
3. A central bank is the lender of last resort to the banks in need.

- **Controller of credit:**

A central bank acts as a controller of credit created by commercial banks. Central bank may use various types of quantitative and qualitative methods to control the credit created by commercial banks.

- **Custodian of foreign exchange reserves:**

A central bank is custodian of foreign exchange reserves. All foreign currency earned by a country is under the custody of central bank of the country. This is important to ensure that there will not be misuse of foreign exchange. Any individual or organization will have to take the permission of central bank for the use of foreign exchange.

- **Collection and publication of data:**

A central bank collect data related to various issues in the economy. Such information's are published by the central bank in journals, bulletins etc. They may be of great importance for



SHREE H. N. SHUKLA COLLEGE OF I.T. & MGMT.

(AFFILIATED TO SAURASHTRA UNIVERSITY)

3- Vaishalinagar
Nr. Amrapali Railway Crossing
Raiya Road, Rajkot – 360001
Ph. No–(0281)2471645

2-Vaishalinagar
Nr. Amrapali Railway
Raiya Road, Rajkot - 360001
Ph.No–(0281)2440478,2472590

scholars of economics and government of the country. A central bank can also appoint committee of experts to find out causes and solutions of any economic problem that country is facing. The government could accept this.

- **Promotional function:**

A central bank is responsible to promote economic development of the country. It has to create suitable atmosphere for economic development of the country. Central bank must develop a sound banking system and proper money market so that loans will be available for developmental activities. It will encourage economic development of the economy.

INSTRUMENTS OF RBI to Control Credit

A central bank can use various methods to control credit created by a commercial bank. Central bank uses two sets of method namely:

Quantitative methods.

The various quantitative methods used by a central bank control the volume of credit.

Bank rate policy.

This is one of the important quantitative methods used by central bank in every country. Bank rate refers to the rate of discounting or more appropriately, rate of re discounting the bills of exchange by the central bank brought to it by the commercial banks. If a central bank wants to reduce the amount of credit it will increase the bank rate and if it wants the expansion of credit it will reduce the bank rate. When the bank rate is increased by central bank borrowing from the central bank becomes dearer to commercial banks. Hence, either they will stop borrowings from central bank and create small credit or they will increase their lending rate so that demand for loan decreases.

Similarly, when central bank wants expansion of credit bank rate will be reduced. So that commercial bank will borrow in large quantity and they will create large amount of credit. When bank rate is, higher it is known as dear money policy and when bank rate is lower, it is known as cheap money policy.

Open Market Operation

It refers to purchase or sale of government securities in the market by the central bank. When a central bank wants to reduce the volume of credit it will offer for sale of government securities. Such securities are purchased by commercial banks with result availability of cash with commercial banks will decrease and they will be able to create a small amount of credit.



SHREE H. N. SHUKLA COLLEGE OF I.T. & MGMT.

(AFFILIATED TO SAURASHTRA UNIVERSITY)

3- Vaishalinagar
Nr. Amrapali Railway Crossing
Raiya Road, Rajkot – 360001
Ph. No–(0281)2471645

2-Vaishalinagar
Nr. Amrapali Railway
Raiya Road, Rajkot - 360001
Ph.No–(0281)2440478,2472590

In opposite case when central bank wants expansion of credit, it will purchase securities. Thus commercial banks will sell their security holdings and receive cash from central banks. As a result amount of cash with commercial bank will increase and they will be able to create large amount of credit. But main limitation of open market operations are it requires as well developed market in government securities.

'Reverse Repo Rate'

Reverse repo rate is the rate at which the central bank of a country (Reserve Bank of India in case of India) borrows money from commercial banks within the country. It is a monetary policy instrument, which can be used to control the money supply in the country.

Description: An increase in the reverse repo rate will decrease the money supply and vice-versa, other things remaining constant. An increase in reverse repo rate means that commercial banks will get more incentives to park their funds with the RBI, thereby decreasing the supply of money in the market.

'Repo Rate'

Repo rate is the rate at which the central bank of a country (Reserve Bank of India in case of India) lends money to commercial banks in the event of any shortfall of funds. Monetary authorities to control inflation use repo rate. Description: In the event of inflation, central banks increase repo rate as this acts as a disincentive for banks to borrow from the central bank. This ultimately reduces the money supply in the economy and thus helps in arresting inflation. The central bank takes the contrary position in the event of a fall in inflationary pressures. Repo and reverse repo rates form a part of the liquidity adjustment facility.

'Statutory Liquidity Ratio'

The ratio of liquid assets to Net Demand and Time Liabilities (NDTL) is called statutory liquidity ratio (SLR). Description: Apart from Cash Reserve Ratio (CRR), banks have to maintain a stipulated proportion of their net demand and time liabilities in the form of liquid assets like cash, gold and unencumbered securities. Treasury bills, dated securities issued under market borrowing programmed and market stabilization schemes (MSS), etc. Also, form part of the SLR. Banks have to report to the RBI every alternate Friday their SLR maintenance, and pay penalties for failing to maintain SLR as mandated.

Variations in CRR

CRR refers to a certain proportion of total deposits received by a bank, which is to be maintained in the form of reserve cash. CRR is fixed by central bank of the country. When central bank wants to reduce volume of credit, it will increase CRR so that commercial banks



SHREE H. N. SHUKLA COLLEGE OF I.T. & MGMT.

(AFFILIATED TO SAURASHTRA UNIVERSITY)

3- Vaishalinagar
Nr. Amrapali Railway Crossing
Raiya Road, Rajkot – 360001
Ph. No–(0281)2471645

2-Vaishalinagar
Nr. Amrapali Railway
Raiya Road, Rajkot - 360001
Ph.No–(0281)2440478,2472590

will be able to create a small amount of credit. In opposite case it will reduce CRR so that banks will be able to create large amount of credit.

CRR is also having various limitations. When there are huge sum of deposits with commercial banks, they will be able to create large amount of credit and maintain CRR as well.

Qualitative methods

Such methods are used to keep a check on use of credit. Various selective tools used by central bank in different countries are as follows:

Margin requirements

Margins refers to the difference between the value of security and the amount of loans sanctioned against the securities. When central banks want to create more credit for a particular purpose it will reduce margin requirement and when it wants to reduce the credit for other purpose it will increase marginal requirement.

Regulation of consumer credit

When a central bank wants to reduce the credit for the purchase of consumer goods, it will regulate terms and conditions of consumer's credit. Central bank can increase the amount of down payment and reduce the period of repayment for consumer loans. This will discourage demand for consumer goods.

Issue of directives

A central bank can issue directives to commercial banks to follow a certain credit policy. Directives may be issued by central bank in the form of notices or circulars sent to commercial banks. Since central bank enjoys considerable power and authority commercial banks will care for its directives.

Moral suasion and publicity.

Under moral suasion, central bank invites commercial banks for an open-heart discussion and central bank persuades commercial banks to follow a credit policy in the interest of the country. Under publicity, central bank will use print media and electronic media to persuade banks and people to follow the credit policy of central bank.



SHREE H. N. SHUKLA COLLEGE OF I.T. & MGMT.

(AFFILIATED TO SAURASHTRA UNIVERSITY)

3- Vaishalinagar
Nr. Amrapali Railway Crossing
Raiya Road, Rajkot – 360001
Ph. No–(0281)2471645

2-Vaishalinagar
Nr. Amrapali Railway
Raiya Road,Rajkot - 360001
Ph.No–(0281)2440478,2472590

Direct action

When central banks finds that none of the above methods are effective it goes for direct action against those individual banks that do not follow the credit policy of the central bank. Direct action may be taken in following forms

- Central will charge a higher rate of interest on loans given to those banks that do not follow the credit policy of the central bank.
- Central bank may refuse to give any loan to a bank that does not follow credit policy of the central bank.



UNIT: 3

KEYNESIAN THEORY-1

Lord John Maynard Keynes has been one of the most renowned economists of the 20th century. His outstanding publication “the general theory of employment” has brought far changes in the economic theory.

Keynes theory of income and employment is based on two fundamental assumption

- Total money income of the people (Y) is equal to the money value of the total output they produce during a year. (PX).

IN short, $Y=PX$

P= PRICE LEVEL

X= OUTPUT

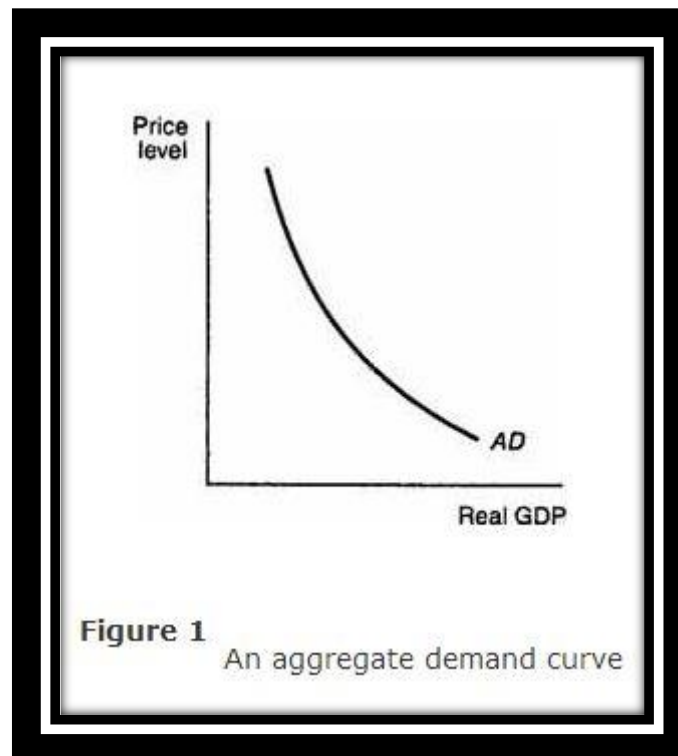
- Total output depends on level of employment of labor only .Total output increase with the increase in employment and vice versa
- It should now be clear why Keynes theory is called theory of income and employment . this is so because in Keynes theory , income and employment move together in same direction in same proportion
- Moreover , Keynes theory is also known as general theory of employment because it deals with economic system like income, employment, savings , investment etc

KEYNES' THEORY OF EMPLOYMENT (THEORY OF EFFECTIVE DEMAND)

Just as equilibrium price of a commodity is determined by the interaction between its demand and supply in a free market, similarly the equilibrium level of employment and output in the whole economy is determined by the interaction between aggregate demand price and aggregate supply price.

- **Aggregate Demand Price Curve :**

Aggregate demand price refers to the total sale proceeds which the producers expect to receive from the sale of output at a particular level of employment. In this sense, aggregate demand price depends on the money expenditure of the people on goods and services. Since money income of the people increases with the level of output and employment money expenditure of the people also increases with the level of output and employment in the economy. This means that aggregate demand price will increase with output and employment.

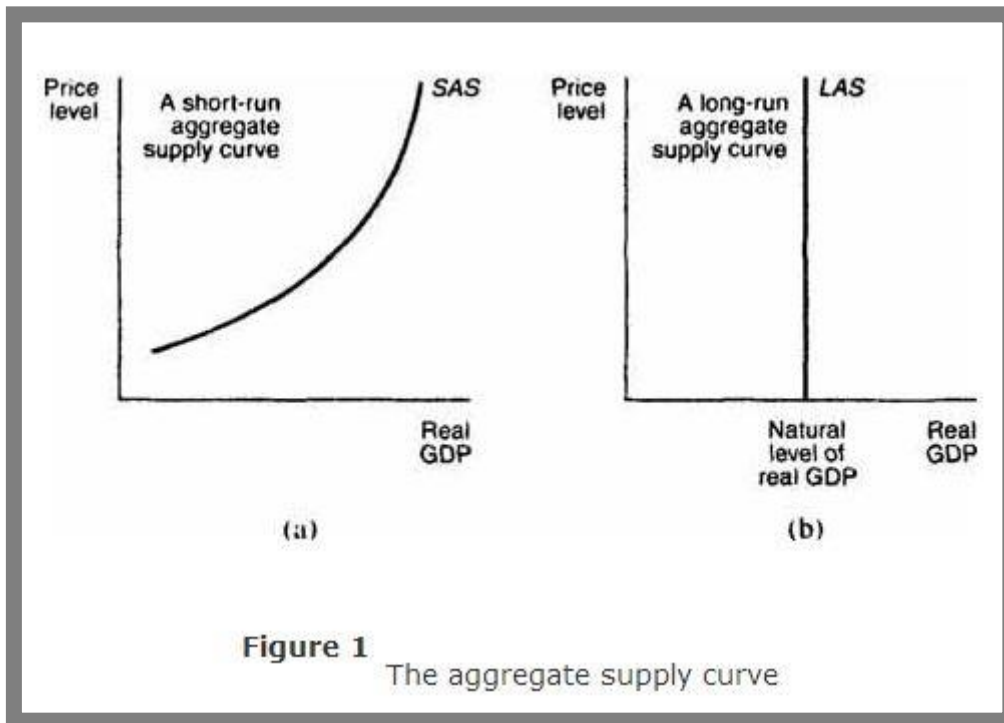


- **Aggregate supply price curve :**

Aggregate supply price refers to total sale proceeds which the producers must receive from sale of output at particular level of employment so that cost of output is fully recovered

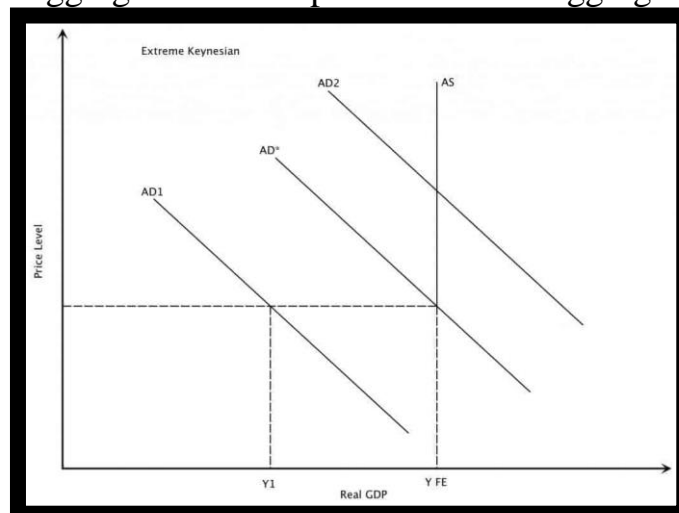
Generally total cost increase with the increase in output and employment .therefore aggregate supply price increase with increase in output and employment.

This is why aggregate supply price curve showing relationship between aggregate supply price and employment is upward sloping.



EQUILIBRIUM LEVEL OF OUTPUT AND EMPLOYMENT :

As said before equilibrium level of output and employment is given by the point of intersection between aggregate demand price curve and aggregate supply price curve.





SHREE H. N. SHUKLA COLLEGE OF I.T. & MGMT.

(AFFILIATED TO SAURASHTRA UNIVERSITY)

3- Vaishalinagar
Nr. Amrapali Railway Crossing
Raiya Road, Rajkot – 360001
Ph. No–(0281)2471645

2-Vaishalinagar
Nr. Amrapali Railway
Raiya Road, Rajkot - 360001
Ph.No–(0281)2440478,2472590

DETERMINANTS / COMPONENTS OF AGGREGATE DEMAND :

Keynes has classified aggregate demand in to two groups. Consumption and investment .consumption refers to total demand for consumption goods or total money expenditure of the people on consumption goods.

Investment refers to total demand for capital goods

In terms of equation :

$$D=C+I$$

Where, D= aggregate demand

C= consumption exp.

I= investment expenditure

If there is an increase in consumption exp Or investment , aggregate demand will increase and will increase output and employment also .

There are two determinants of consumption expenditure, income and propensity to consume of the people . If people's propensity to consume is constant , consumption expenditure is increase with income .If income is constant then expenditure increase with the increase in propensity to consume Investment exp also depends on two variables marginal efficiency of capital and rate of interest. The rate of interest is determined by total supply of money and total demand for money in the economy.

Although income is the main determinant of consumption function, there are other determinants also which influence consumption function. If other factors are constant the effect of change in income on consumption is expressed by the movement on the same consumption curve. If income is constant, the effects of change in other factors on consumption expressed by shifting the whole consumption curve up or down these other determinants can be put under two heads as follows

SUBJECTIVE DETERMINANTS

- Individual motive
- Business motives



SHREE H. N. SHUKLA COLLEGE OF I.T. & MGMT.

(AFFILIATED TO SAURASHTRA UNIVERSITY)

3- Vaishalinagar
Nr. Amrapali Railway Crossing
Raiya Road, Rajkot – 360001
Ph. No–(0281)2471645

2-Vaishalinagar
Nr. Amrapali Railway
Raiya Road, Rajkot - 360001
Ph.No–(0281)2440478,2472590

OBJECTIVE DETERMINANTS

- **Fiscal Policy**

Fiscal policy relates to government taxing and spending policy. Progressive taxation adopted by modern welfare states to reduce inequality of income tend to shift consumption upwards by transferring purchasing power from the rich to the poor. Controls, rationing and such other restrictions on spending imposed during war-time or during the period of planned development depress overall consumption in the economy.

- **Windfall Gains or Losses :**

Windfall gains consequent -upon stock market fluctuations or any other factor will stimulate consumption. The opposite effect will follow in case of windfall losses. Unexpected increase in incomes shifts consumption upwards while unexpected cut in incomes shifts it downwards.

- **Changes in Expectations :**

If people expect prices to rise in future, there will be a heavy rush for buying in the present, shifting consumption upwards. Expectation of decline in prices in future will depress consumption. Similarly, when people expect income to increase. they may save less and consume more out of current income. Thus, expectations about future income also affect their consumption.

- **Changes in the Rate of Interest :**

Changes in the rate of interest influence consumption through their effects on the market values of securities. A fall in the rate of interest, by raising the market prices of securities is likely to increase consumption. A rise in the rate of interest may shift consumption downwards by reducing the market prices of securities. However, substantial changes in the rate of interest are not likely to occur in the short period. Therefore, this objective factor may be regarded as only of secondary importance in the short run.

- **Changes in Wage Rate :**

If wage rate is increased, there will be an increase in consumption expenditure, because workers have a high propensity to consume. In other words, when wage rate is increased consumption curve shifts up. However, if the rise in wage rate is followed b); a more than proportionate increase in prices, the real wage rate will fall and consumption curve will shift in the downward direction.



SHREE H. N. SHUKLA COLLEGE OF I.T. & MGMT.

(AFFILIATED TO SAURASHTRA UNIVERSITY)

3- Vaishalinagar
Nr. Amrapali Railway Crossing
Raiya Road, Rajkot – 360001
Ph. No–(0281)2471645

2-Vaishalinagar
Nr. Amrapali Railway
Raiya Road, Rajkot - 360001
Ph.No–(0281)2440478,2472590

Unit 4 KEYNESIAN THEORY -2

CONCEPT OF INVESTMENT

Investment in the theory of income and employment means real investment, which is different from financial investment. By real investment, we mean addition to the nation's physical stock of capital like the building of new factories and new machines as well as the addition to the stock of finished and unfinished goods called inventories or investment.

Thus, investment in the present context does not mean purchase of existing shares and debentures and real property.

Keynesian theory of income and employment is concerned with private investment not with public investment. Private means investments by firms and business. While public investment means by state and central government.

DETERMINANTS / FUNCTION OF INVESTMENT:

We have noted that total demand is made up of two components i.e demand for consumer goods and demand for capital goods .Investment function relates the demand for the latter i.e. capital goods. The demand for capital goods depends upon marginal efficiency of capital and rate of interest. Investment activity in any economy is determined by

- Expected rate of profit on capital and the rate of interest

FACTORS AFFECTING MARGINAL EFFICIENCY OF CAPITAL

- **EXPECTATIONS :**

MEC is more volatile than rate of interest. This is because prospective yields of capital assets depends upon business expectations

- **STOCK OF CAPITAL GOODS:**

The MEC and capital stock are inversely related .if the existing stock of capital goods is large. MEC will be low

- INVENTIONS AND INNOVATION
- NEW PRODUCTS
- POPULATION GROWTH
- STATE POLICY



SHREE H. N. SHUKLA COLLEGE OF I.T. & MGMT.

(AFFILIATED TO SAURASHTRA UNIVERSITY)

3- Vaishalinagar
Nr. Amrapali Railway Crossing
Raiya Road, Rajkot – 360001
Ph. No–(0281)2471645

2-Vaishalinagar
Nr. Amrapali Railway
Raiya Road,Rajkot - 360001
Ph.No–(0281)2440478,2472590

- POLITICAL CLIMATE
- CHANGE IN INCOME
- PROPENSITY TO CONSUME
- LIQUID ASSETS

CONCEPT OF MULTIPLIER

Keynes' concept of investment multiplier is based on **R.F.KAHN'S** concept of employment multiplier.

Keynes investment multiplier on the other hand refers to the change in equilibrium level of income consequent upon a given change in autonomous investment spending.

Keynes investment multiplier is defined as co-efficient relating additional investment and additional income .

To be more simple, investment multiplier is the ratio of change in income to change in investment and is mathematically represented as follows

K equals to $\frac{\Delta Y}{\Delta I}$

Assumption of multiplier.

- 1) Change in autonomous investment
- 2) Marginal propensity to consume is constant
- 3) Net increase in investment
- 4) Economy is industrialized
- 5) Foreign trade is closed
- 6) Increase in income

Leakages of multiplier.

- 1) Saving
- 2) Uneven distribution profit
- 3) Taxation



SHREE H. N. SHUKLA COLLEGE OF I.T. & MGMT.

(AFFILIATED TO SAURASHTRA UNIVERSITY)

3- Vaishalinagar
Nr. Amrapali Railway Crossing
Raiya Road, Rajkot – 360001
Ph. No–(0281)2471645

2-Vaishalinagar
Nr. Amrapali Railway
Raiya Road,Rajkot - 360001
Ph.No–(0281)2440478,2472590

- 4) Imports
- 5) Payment of old debts
- 6) Hoarding of cash
- 7) Inflation

Significance of multiplier

- 1) Importance of investments
- 2) Saving-investment equality
- 3) Trade cycle
- 4) Control of trade cycle
- 5) Deficit financing



SHREE H. N. SHUKLA COLLEGE OF I.T. & MGMT.

(AFFILIATED TO SAURASHTRA UNIVERSITY)

3- Vaishalinagar
Nr. Amrapali Railway Crossing
Raiya Road, Rajkot – 360001
Ph. No–(0281)2471645

2 – Vaishalinagar
Nr. Amrapali Railway Crossing
Raiya Road, Rajkot - 360001
Ph.No–(0281)2440478, 2472590

B.COM. SEM – 3 BUSINESS COMMUNICATION

<u>SR NO.</u>	<u>SUBJECT NAME</u>
1	CONCEPT AND OBJECTIVES OF COMMUNICATION
2	METHODS OF COMMUNICATION
3	TYPES OF COMMUNICATION
4	BARRIERS OF COMMUNICATION
5	WRITTEN COMMUNICATION: BUSINESS LETTERS (THEORY)
6	PRACTICAL LETTER WRITING: LETTER OF INQUIRY AND REPLY
7	LETTERS OF ORDER & EXECUTION



SHREE H. N. SHUKLA COLLEGE OF I.T. & MGMT.

(AFFILIATED TO SAURASHTRA UNIVERSITY)

3- Vaishalinagar
Nr. Amrapali Railway Crossing
Raiya Road, Rajkot – 360001
Ph. No–(0281)2471645

2 – Vaishalinagar
Nr. Amrapali Railway Crossing
Raiya Road, Rajkot - 360001
Ph.No–(0281)2440478, 2472590

UNIT – 1

CONCEPT AND OBJECTIVES OF COMMUNICATION

Communication AND few definitions of Communication.

Introduction to Communication:

Communication is as old as human civilization. Man used to communicate with his fellow beings by means of sounds, signals, gestures when there was no language developed. Minus communication, human society could not have been as it is today. It is communication which has transformed mankind into the most developed rational and prosperous group on the earth.

Communication is the activity of conveying information. It basically involves a sender, a message and a receiver.

Communication can be defined as the process of transmitting information and common understanding from one person to another (Keyton, 2011). The word communication is derived from the Latin word, communis, which means common. Communis adding to meaning “**common opinion**” or “**a generally accepted view**”.

Communication establishes relationships and makes organizing possible. Every message has a purpose or objective. The sender intends -- whether consciously or unconsciously -- to accomplish something by communicating. In organizational contexts, messages typically have a definite objective: to motivate, to inform, to teach, to persuade, to entertain, or to inspire.

Communication is usually a two-way process. It is not just giving information or signaling someone; it also involves the comprehension of the information or the signal by the receiver. When the act of giving information or sending message reaches the recipient and gets comprehended by him/her and the receiver sends feedback as desired by the sender, the process of communication is said to be complete. Communication, therefore, involves more than one person.

Communication is a continuous and dynamic process involving more than one person. It is a cyclic process denoting continuous flow of information. It essentially involves sender, message and recipient. The sender conceives ideas and encodes them into suitable medium (facts, figures, pictures), sends them through appropriate channel (email, phone, speech) to the



SHREE H. N. SHUKLA COLLEGE OF I.T. & MGMT.

(AFFILIATED TO SAURASHTRA UNIVERSITY)

3- Vaishalinagar
Nr. Amrapali Railway Crossing
Raiya Road, Rajkot – 360001
Ph. No–(0281)2471645

2 – Vaishalinagar
Nr. Amrapali Railway Crossing
Raiya Road, Rajkot - 360001
Ph.No–(0281)2440478, 2472590

recipient. The recipient decodes the message, understands it and encodes feedback and sends it to the sender. The process continues.

Definitions of Communication:

1. Keith Davis: Communication is a process of passing information and understanding from one person to another.
2. John Adair: Communication is essentially the ability of one person to make contact with another and make himself or herself understood.
3. William Newman and Charles Summer: Communication is an exchange of ideas, facts, opinions or emotions of two or more persons.
4. Louis Allen: Communication is a bridge of meaning. It involves a systematic and continuous process of telling, listening and understanding.
5. Peter Little: Communication is a process by which information is transmitted between individuals and / or organizations so that an understanding response results.
6. Fred G. Meyer: Communication is the intercourse by words, letters or messages.
7. G.G. Brown: Communication is transfer of information from one person to another, whether or not it elicits confidence. But the information transferred must be understandable to the receiver.
8. Ordway Tead: Communication is a composite of (a) information given and received, (b) of a learning experience in which certain attitudes, knowledge and skills change, carrying with them alternations of behaviour, (c) of a listening effort by all involved, (d) of a sympathetic fresh examination of issues by communicator himself, (e) of a sensitive interaction of points of view leading to a higher level of shared understanding and common intention.

Let's Revise

Sr. No.	Questions	Answers
1	According to whom, communication can be defined as the process of transmitting information and common understanding from one person to another?	Keyton
2	Basically who is involved in communication apart from sender and a message?	Receiver



SHREE H. N. SHUKLA COLLEGE OF I.T. & MGMT.

(AFFILIATED TO SAURASHTRA UNIVERSITY)

3- Vaishalinagar
Nr. Amrapali Railway Crossing
Raiya Road, Rajkot – 360001
Ph. No–(0281)2471645

2 – Vaishalinagar
Nr. Amrapali Railway Crossing
Raiya Road, Rajkot - 360001
Ph.No–(0281)2440478, 2472590

3	The word communication is derived from the _____ word, communis, which means common.	Latin
4	Every message has a purpose or _____.	Objective
5	Communication is usually a _____-way process.	Two
6	Who gave the definition: Communication is a process of passing information and understanding from one person to another. ?	Keith Davis
7	Who gave the definition: Communication is a process by which information is transmitted between individuals and / or organizations so that an understanding response results. ?	Peter Little
8	Is it true that persuading is one of the objective of communication?	Yes
9	Who gave the definition: Communication is a bridge of meaning. It involves a systematic and continuous process of telling, listening and understanding. ?	Louis Allen
10	Is communication possible without a sender?	No



SHREE H. N. SHUKLA COLLEGE OF I.T. & MGMT.

(AFFILIATED TO SAURASHTRA UNIVERSITY)

3- Vaishalinagar
Nr. Amrapali Railway Crossing
Raiya Road, Rajkot – 360001
Ph. No–(0281)2471645

2 – Vaishalinagar
Nr. Amrapali Railway Crossing
Raiya Road, Rajkot - 360001
Ph.No–(0281)2440478, 2472590

Objectives/ Purpose Of Business Communication.

Communication has many objectives. Its primary objective is to exchange ideas, opinions, thoughts, beliefs and information between human beings. In the fields of business, the main objective of communication is to help managers in performing all managerial functions smoothly. Different objectives of business communication are discussed below:

Achieving organization goals: The main objective of communication is to help managers in achieving organization goals. It helps managers to perform all managerial functions and to achieve predetermined goals.

Exchanging of information: Another objective of communication is to exchange information between employees of an organization. It helps to make contact with the external forces of an organization.

Formulation and execution of plans: Communication supplies information to the managers who prepares effective plans for the organization. Managers collect information from different sources and prepare and execute organizational plans through the help of communication.

Increasing efficiency: Communication helps to increase the efficiency of the employees of an organization by supplying information timely relating to the work.

Directing the subordinates: An important objective of communication is to give effective direction to the employees of an organization. Communication helps to reach executive orders to the subordinates.

Create consciousness: Another remarkable objective of communication is to create consciousness among the employees about their duties and responsibilities by supplying various information.

Coordination and cooperation: Another important objective of communication is to help in coordinating and cooperating the activities of various work groups and departments working within the organization.

Persuasion: To persuade the employees to work hard for the organization and the buyers to buy organization's products are two other important objective of communication.

Facilitating joint effort: No organization can achieve its goal by individual effort. It requires joint effort. Communication helps in taking joint effort in the organization.

Education and training of employees: Communication helps to provide education and training of employees of the organization.



SHREE H. N. SHUKLA COLLEGE OF I.T. & MGMT.

(AFFILIATED TO SAURASHTRA UNIVERSITY)

3- Vaishalinagar
Nr. Amrapali Railway Crossing
Raiya Road, Rajkot – 360001
Ph. No–(0281)2471645

2 – Vaishalinagar
Nr. Amrapali Railway Crossing
Raiya Road, Rajkot - 360001
Ph.No–(0281)2440478, 2472590

Develop labor-management relations: Another objective of communication is to improve relationship between management and workforce within the organization. It removes misunderstanding between the two parties and helps to develop and maintain better relationship.

Creating relationship with external parties: Communication helps to create good relationship with external parties of the organization.

Monitoring and controlling the activities: Monitoring and controlling the activities of the subordinates is other important objective of organization communication.

Solving problem: One of the most important objectives of communication is help solving different organizational problems. It creates bases for discussion by supplying information which helps in removing the differences among the disputed parties.

Initiate to change: Another objective of communication is to initiate change within the organization. Communication supplies various information to the employees which helps in changing their attitude and brings changes in the organization.

Decision making: Communication helps managers to take decisions. It helps in exchanging ideas and opinions with others which help managers to take appropriate decisions.

Making aware of future change: In earth everything is changing continuously. To adopt with the changing environment management has to initiate different organizational change. Here communication helps to make employees aware of future change.

Building image: Strong image of the organization helps to gain competitive advantage in the market. Communication helps to build up image of the organization through timely contact with the stakeholders, advertising etc.

In addition to these, there are some other objectives as well, so let us have a brief look upon those as well-

- Bringing dynamism in the organization
- Ensuring effective employee orientation
- Creating better consciousness in the workforce
- Adeptly directing the subordinates
- Providing effective facilitation of policies
- Discouraging rumors, misinformation, and ambiguity



SHREE H. N. SHUKLA COLLEGE OF I.T. & MGMT.

(AFFILIATED TO SAURASHTRA UNIVERSITY)

3- Vaishalinagar
Nr. Amrapali Railway Crossing
Raiya Road, Rajkot – 360001
Ph. No–(0281)2471645

2 – Vaishalinagar
Nr. Amrapali Railway Crossing
Raiya Road, Rajkot - 360001
Ph.No–(0281)2440478, 2472590

- Giving facts rather than just sharing impressions
- Persuading others and offering recommendations
- Stimulating demand and supporting a brand

Let's Revise

Sr. No.	Questions	Answers
1	The main objective of communication is to help whom in achieving organization goals?	Managers
2	Another objective of communication is to exchange _____ between employees of an organization.	Information
3	Communication helps to increase the _____ of the employees of an organization by supplying information timely relating to the work.	Efficiency
4	An important objective of communication is to give effective _____ to the employees of an organization.	Direction
5	Monitoring and _____ the activities of the subordinates is other important objective of organization communication.	Controlling
6	Does communication help in creating smooth relations with third parties as well?	Yes
7	Does communication help the managers to take decisions?	Yes
8	Strong image of the organization helps to gain _____ advantage in the market.	Competitive
9	Does communication initiate change in the organization?	Yes
10	Discouraging _____, misinformation, and ambiguity is also an important objective of communication.	Rumors



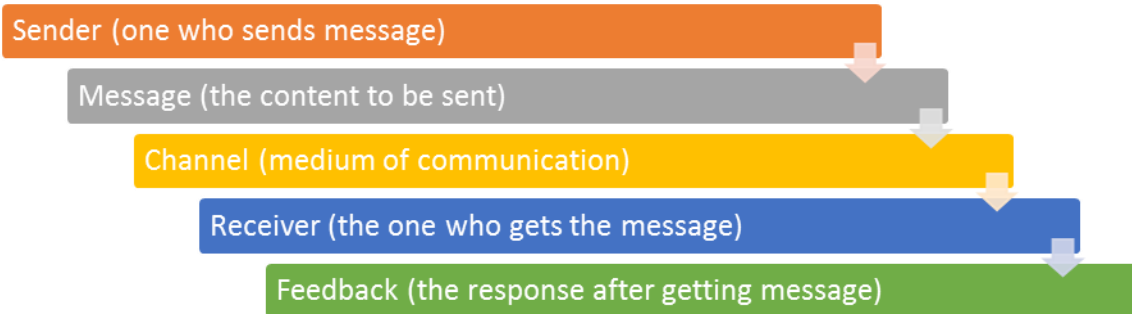
SHREE H. N. SHUKLA COLLEGE OF I.T. & MGMT.

(AFFILIATED TO SAURASHTRA UNIVERSITY)

3- Vaishalinagar
Nr. Amrapali Railway Crossing
Raiya Road, Rajkot – 360001
Ph. No–(0281)2471645

2 – Vaishalinagar
Nr. Amrapali Railway Crossing
Raiya Road, Rajkot - 360001
Ph.No–(0281)2440478, 2472590

Elements Of Communication



Elements of Communication Process:

Communication process involves elements like sender, receiver, message, channel/ media and feedback. These elements are explained below:

The different elements of communication are as under:

- 1. Sender:** He is the person who sends his ideas to another person. For example, if a manager wants to inform his subordinates about the introduction of a new product, he is the sender.
- 2. Message:** The idea, feeling, suggestion, guidelines, orders or any content which is intended to be communicated is message. For example, message can be about the introduction of new product.
- 3. Channel/ Media:** It is the medium, passage or route through which encoded message is passed by the sender to the receiver. There can be various forms of media-face to face communication, letters, radio, television, e-mail etc. For example, manager informs about the introduction of a new product in a meeting through presentation.
- 4. Receiver:** He is the person to whom the message has been sent. For example, subordinates are receivers as mentioned in the above example.
- 5. Feedback:** It is the response by the receiver. It marks the completion of the communication process.



SHREE H. N. SHUKLA COLLEGE OF I.T. & MGMT.

(AFFILIATED TO SAURASHTRA UNIVERSITY)

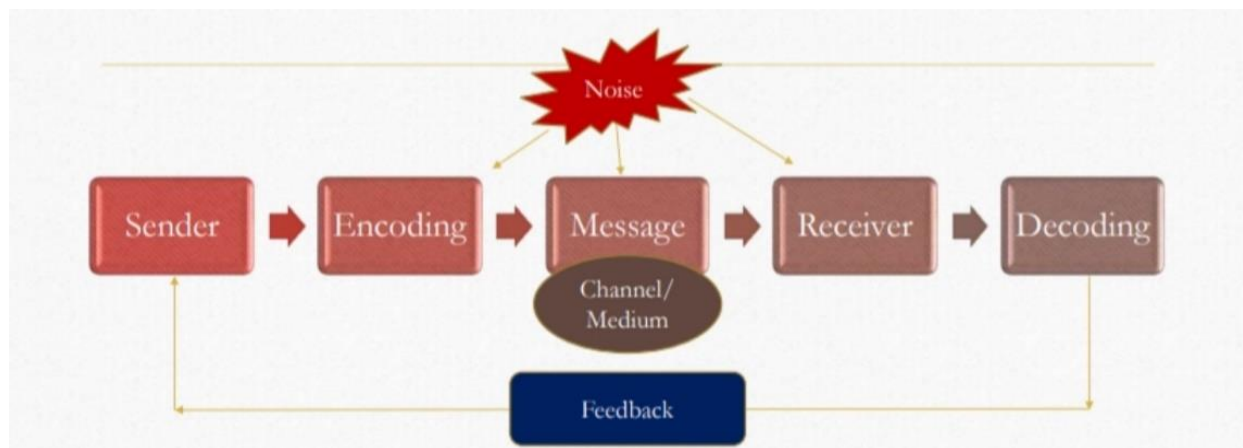
3- Vaishalinagar
Nr. Amrapali Railway Crossing
Raiya Road, Rajkot – 360001
Ph. No–(0281)2471645

2 – Vaishalinagar
Nr. Amrapali Railway Crossing
Raiya Road, Rajkot - 360001
Ph.No–(0281)2440478, 2472590

Let's Revise

Sr. No.	Questions	Answers
1	What is the person who sends information to others known as?	Sender
2	The idea, feeling, suggestion, guidelines, orders or any content which is intended to be communicated is _____.	Message
3	What is the route called through which encoded message is passed by the sender to the receiver?	Channel/ Media
4	The person to whom the message has been sent is known as _____.	Receiver
5	_____ is known as the response by the receiver.	Feedback

PROCESS OF COMMUNICATION



Communication process consists of following steps:

Sender: He is the person who sends his ideas to another person. The sender formulates the message that he wants to convey to the receiver.

Encoding: It is the process of converting the idea, thinking or any other component of message into symbols, words, actions, diagram etc. For example, message is connected in words and actions. The sender encodes or translates his message. He may take the help of symbols, words, actions, diagrams, pictures etc.



SHREE H. N. SHUKLA COLLEGE OF I.T. & MGMT.

(AFFILIATED TO SAURASHTRA UNIVERSITY)

3- Vaishalinagar
Nr. Amrapali Railway Crossing
Raiya Road, Rajkot – 360001
Ph. No–(0281)2471645

2 – Vaishalinagar
Nr. Amrapali Railway Crossing
Raiya Road, Rajkot - 360001
Ph.No–(0281)2440478, 2472590

Channel/ Medium and Message: He selects an appropriate channel or medium through which the message is to be transmitted. It can be face to face communication, letters, radio, television, e-mail etc.

Receiver: He is the person to whom the message has been sent. The message is received by the receiver.

Decoding: It means translating the encoded message into language understandable by the receiver. Received message is decoded by the receiver so that the receiver can draw the meaning of the message.

Feedback/ Response: The receiver sends his response to the sender. In case of any confusion, the same is conveyed and necessary clarification sought.

Noise: It is the hindrance in the process of communication. It can take place at any step in the entire process. It reduces the accuracy of communication.

e.g. 1) Disturbance in the telephone lines, 2) An inattentive receiver 3) Improper Decoding of Message etc.

Let's Revise

Sr. No.	Questions	Answers
1	The person who sends the message in the communication channel is known as _____.	Sender
2	The process of converting the idea, thinking or any other component of message into symbols, words, actions, diagram etc. is known as _____.	Encoding
3	The person to whom the message has been sent is known as _____.	Receiver
4	_____ means translating the encoded message into language understandable by the receiver.	Decoding
5	The receiver sends his response to the sender known as _____.	Feedback
6	The hindrance caused in the communication process is known as _____.	Noise



SHREE H. N. SHUKLA COLLEGE OF I.T. & MGMT.

(AFFILIATED TO SAURASHTRA UNIVERSITY)

3- Vaishalinagar
Nr. Amrapali Railway Crossing
Raiya Road, Rajkot – 360001
Ph. No–(0281)2471645

2 – Vaishalinagar
Nr. Amrapali Railway Crossing
Raiya Road, Rajkot - 360001
Ph.No–(0281)2440478, 2472590

Principles of Communication

1. Principle of Clarity:

The idea or message to be communicated should be clearly spelt out. It should be worded in such a way that the receiver understands the same thing which the sender wants to convey. There should be no ambiguity in the message. It should be kept in mind that the words do not speak themselves but the speaker gives them the meaning. A clear message will evoke the same response from the other party. It is also essential that the receiver is conversant with the language, inherent assumptions, and the mechanics of communication.

2. Principle of Integrity:

Integrity means honesty and truthfulness in what we communicate. Communication should be able to introduce all the employees in the enterprise with its honest objectives so that all the employees move unitedly towards the goal.

3. Principle of Informality:

Formal communication is generally used for transmitting messages and other information. Sometimes formal communication may not achieve the desired results, informal communication may prove effective in such situations. Management should use informal communication for assessing the reaction of employees towards various policies. Senior management may informally convey certain decisions to the employees for getting their feedback. So this principle states that informal communication is as important as formal communication.

4. Principle of Attention:

In order to make communication effective, the receiver's attention should be drawn towards message. People are different in behaviour, attention, emotions etc. So they may respond differently to the message. Subordinates should act similarly as per the contents of the message. The acts of a superior also draw the attention of subordinates and they may follow what they observe. For example, if a superior is very punctual in coming to the office then subordinates will also develop such habits. It is said that 'actions speak louder than words.'

5. Principle of Consistency:

This principle states that communication should always be consistent with the policies, plans, programmes and objectives of the organization and not in conflict with them. If the messages and communications are in conflict with the policies and programmes then there will



SHREE H. N. SHUKLA COLLEGE OF I.T. & MGMT.

(AFFILIATED TO SAURASHTRA UNIVERSITY)

3- Vaishalinagar
Nr. Amrapali Railway Crossing
Raiya Road, Rajkot – 360001
Ph. No–(0281)2471645

2 – Vaishalinagar
Nr. Amrapali Railway Crossing
Raiya Road, Rajkot - 360001
Ph.No–(0281)2440478, 2472590

be confusion in the minds of subordinates and they may not implement them properly. Such a situation will be detrimental to the interests of the organization.

6. Principle of Adequacy:

The information communicated should be adequate and complete in all respects. Inadequate information may delay action and create confusion. Inadequate information also affects efficiency of the receiver. So adequate information is essential for taking proper decisions and making action plans.

7. Principle of Timeliness:

This principle states that communication should be done at proper time so that it helps in implementing plans. Any delay in communication may not serve any purpose rather decisions become of historical importance only.

8. Principle of Feedback:

The principle of feedback is very important to make the communication effective. There should be a feedback information from the recipient to know whether he has understood the message in the same sense in which the sender has meant it.

9. Principle of Network/ Proper Medium:

In order to make communication effective it is necessary not only to have clarity of ideas, consistency and completeness but also to make a proper choice of medium. For example- the managers should make use of oral communication for individual communication and written communication for policy matters. So a proper channel or medium of communication is important to be decided in order to deliver the communication to the receivers properly.

Let's Revise

Sr. No.	Questions	Answers
1	The idea or message to be communicated should be clearly spelt out. This is principle of _____.	Clarity
2	_____ means honesty and truthfulness in what we communicate.	Integrity
3	Management should use informal communication for assessing the reaction of employees towards various policies. This is principle of _____.	Informality



SHREE H. N. SHUKLA COLLEGE OF I.T. & MGMT.

(AFFILIATED TO SAURASHTRA UNIVERSITY)

3- Vaishalinagar
Nr. Amrapali Railway Crossing
Raiya Road, Rajkot – 360001
Ph. No–(0281)2471645

2 – Vaishalinagar
Nr. Amrapali Railway Crossing
Raiya Road, Rajkot - 360001
Ph.No–(0281)2440478, 2472590

4	According to principle of _____, in order to make communication effective, the receiver's attention should be drawn towards message.	Attention
5	Communication should always be _____ with the policies, plans, programmes and objectives of the organization and not in conflict with them.	Consistent
6	Should the information communicated be adequate and complete in all respects?	Yes
7	According to which principle, it states that communication should be done at proper time so that it helps in implementing plans?	Timeliness
8	There should be a _____ information from the recipient to know whether he has understood the message in the same sense in which the sender has meant it.	Feedback

Characteristics Of Business Communication.

A two-way traffic:

It is a two-way traffic – upward and downward. Messages, directives, opinions are communicated downward. Likewise grievances, complaints, opinions, feelings, are communicated upward along the line.

Continuous Process:

It is continuous process. It is repeated to achieve the desired results. It is not a one-time shot.

A short-lived process:

It is complete as soon as the message is received and understood by the receiver in the right perspective.

Needs proper understanding:

There may be numerous media of communication but the main purpose of conveying the message is a proper understanding of the message by the other party. For this purpose, it should be clearly and concisely worded.

Leads achievement of the organizational goals:

Effective communication does this by creating the sense of object orientation in the organization.



SHREE H. N. SHUKLA COLLEGE OF I.T. & MGMT.

(AFFILIATED TO SAURASHTRA UNIVERSITY)

3- Vaishalinagar
Nr. Amrapali Railway Crossing
Raiya Road, Rajkot – 360001
Ph. No–(0281)2471645

2 – Vaishalinagar
Nr. Amrapali Railway Crossing
Raiya Road, Rajkot - 360001
Ph.No–(0281)2440478, 2472590

Dispels misunderstanding:

It provides clear understanding between persons and thus builds a bridge of companionship among people.

Let's Revise

Sr. No.	Questions	Answers
1	Is communication a two way traffic?	Yes
2	IS communication a continuous process?	Yes
3	It is complete as soon as the message is received and understood by the receiver in the right perspective and so it is a _____ lived process.	Short
4	For the proper understanding of communication, it should be clearly and concisely _____.	Worded
5	Effective communication does this by creating the sense of object _____ in the organization.	Orientation
6	Does good communication remove misunderstandings?	Yes

Advantages Of Effective Business Communication.

Organizational Goals are Clearly Defined

Confusing goals or instructions and unclear guidelines are bad for everyone. When communicating with employees, managers have to be clear about what they want and expect. That applies whether the communication is through meetings, instructions, performance reviews or employee handbooks. If workers understand their duties and responsibilities, everything flows more smoothly.

Helps to Build the Team

Effective, honest communication can bind employees together. If the staff are talking with each other on the job, that's a major step towards building a good team. Employees who look forward to talking with their colleagues are more enthused about coming to work. If they know they can talk to the boss about problems and that the boss will listen, that binds them to the company. Good communication builds teams and increases employee loyalty.



SHREE H. N. SHUKLA COLLEGE OF I.T. & MGMT.

(AFFILIATED TO SAURASHTRA UNIVERSITY)

3- Vaishalinagar
Nr. Amrapali Railway Crossing
Raiya Road, Rajkot – 360001
Ph. No–(0281)2471645

2 – Vaishalinagar
Nr. Amrapali Railway Crossing
Raiya Road, Rajkot - 360001
Ph.No–(0281)2440478, 2472590

Boosts Employee Morale

Team morale is one of the key benefits of effective communication in business. When there isn't good communication within a team, there is usually a failure to pass on information. The members of the team that are kept in the dark will eventually develop feelings of resentment toward their teammates and leaders because they will feel like people are keeping secrets. If an employee or team member believes that they are being left out of the loop, the trust within the team will slowly face and create negative energy in the workplace.

The result is a reduction in team morale and in overall productivity as a result. When there isn't good communication within a team, there can also be surprises that aren't especially pleasant, such as the miscommunication of a project's missing deadlines, and errors that go unreported. On the other hand, when a team communicates effectively, the team members develop trust because everyone feels like they are in the loop and that they're getting the complete picture of what is going on in the business. Additionally, everyone can focus on what matters, which is their work. They know that if anything happens or changes, they will be told about it in a timely manner and will know where to get assistance on the matter.

Increases Customer Satisfaction

Effective communication is contagious. When the communication within the company flows smoothly, then it will flow on to the customer with the same ease and smoothness. A team that communicates well with each other will also communicate well with the business's customer. Customers, in general, do not like it when they get conflicting information from different employees in a business.

The sales representative tells them that a product will be ready for delivery or deployment within a certain time frame. Meanwhile, the engineering department, which is in charge of making the product, has no idea that such a promise has been made and is likely to miss it.

The end result is that the customer begins to lose their trust in the business and become suspicious of whatever they are told by representatives of the business. The situation is almost just the same as with employees within a business. The major difference is that, while the lack of trust within the team leads to decreased employee morale, the same leads to reduced sales and the loss of opportunities when it is the customer that is losing trust. On the other hand, a team that communicates well will foster trust in the customer because the customer will know they can always count on them. They won't be as quick to switch to another company.



SHREE H. N. SHUKLA COLLEGE OF I.T. & MGMT.

(AFFILIATED TO SAURASHTRA UNIVERSITY)

3- Vaishalinagar
Nr. Amrapali Railway Crossing
Raiya Road, Rajkot – 360001
Ph. No–(0281)2471645

2 – Vaishalinagar
Nr. Amrapali Railway Crossing
Raiya Road, Rajkot - 360001
Ph.No–(0281)2440478, 2472590

Improves Productivity

Perhaps the greatest and most positive effect of effective business communication is the increase in the rate of return of the investments the business makes across the board. This doesn't just apply not only to monetary investments, but also to investments of labor and time, as well. When your team members and employees know their roles and tasks, the roles and tasks of their colleagues, and what is expected of them, they can apply more focus and effort to their work and less effort and focus on the general workplace within which they are situated.

When the team leader has a clear view of the big picture in terms of the resources available within the organization, then they are better able to distribute work among their team members and also to balance it so that no single team member is overwhelmed with work while another one is just cruising by. As a result, the team leader can get the team to work to its maximum potential. Issues that could potentially distract the team from the important stuff are resolved in a quick and effective manner. Customers don't have to keep asking for rework, and the gains just multiply themselves by allowing the team to be even more productive.

Ultimately, the benefits of effective communication within a business are countless and any business would do well to recognize this. When you work to improve the flow of information within the business, you are, in effect, working to improve the long-term productivity and profitability of the business, as well.

Increases Efficiency of Employees

Communication plays an essential role in increasing efficiency of employees. Employees need to interact with each other more often to break the ice and feel comfortable at the workplace. Problems arise when information does not flow in its desired form. Effective communication facilitates free flow of information among employees and reduces misunderstandings and confusions. Effective communication ensures that everyone is on the same page.

Let's Revise

Sr. No.	Questions	Answers
1	In business communication, which goals should be clearly defined?	Organizational



SHREE H. N. SHUKLA COLLEGE OF I.T. & MGMT.

(AFFILIATED TO SAURASHTRA UNIVERSITY)

3- Vaishalinagar
Nr. Amrapali Railway Crossing
Raiya Road, Rajkot – 360001
Ph. No–(0281)2471645

2 – Vaishalinagar
Nr. Amrapali Railway Crossing
Raiya Road, Rajkot - 360001
Ph.No–(0281)2440478, 2472590

2	Good communication builds teams and increases employee _____.	Loyalty
3	Team _____ is one of the key benefits of effective communication in business.	Morale
4	When the communication within the _____ flows smoothly, then it will flow on to the customer with the same ease and smoothness.	Company
5	Does good communication improve productivity in the organization?	Yes
6	Communication plays an essential role in increasing _____ of employees.	Efficiency

Challenges Faced During Business Communication

1. A Lack of Feedback

If communication moves in one direction only, discourse will quickly become ineffective. Feedback is important on many levels. Not only does it help you determine how well your employees have met their goals, but it also shows how well they collaborate with their teams, their co-workers, and their managers.

Feedback also shows how well employees handle stress and adversity. A lack of feedback can lead to demotivation and slack work attitudes, whereas positive feedback can make work more fun, engaging people and pushing positive development. But no matter whether feedback is good or bad, it is a necessity. For management, it's important to not only to receive feedback but to act on it. Surveys are useless if their results are ignored. The aim of collecting feedback should be to use it as a difference-maker.

2. Email Overload

In addition to phone calls, text messages, group chats, social networks, and internal meetings, an average person in business can receive as many as 120 emails every day. This communication overload often results in important information being lost, deleted, forgotten, or ignored. Employees are easily frustrated by overloaded inboxes. Combining your existing channels into one in order to cut down on email overload is an easy way to streamline work. An employee app like Staffbase gives companies a way to avoid having to send mass emails and instigating confusing or irrelevant "cc" conversation threads. The emails you do send should be clear of jargon and shouldn't invite too many people into a dialogue.



SHREE H. N. SHUKLA COLLEGE OF I.T. & MGMT.

(AFFILIATED TO SAURASHTRA UNIVERSITY)

3- Vaishalinagar
Nr. Amrapali Railway Crossing
Raiya Road, Rajkot – 360001
Ph. No–(0281)2471645

2 – Vaishalinagar
Nr. Amrapali Railway Crossing
Raiya Road, Rajkot - 360001
Ph.No–(0281)2440478, 2472590

3. Device Chaos

People tend to avoid communication if it's happening on a device they don't feel comfortable using. Gone are the days when we only worked on desktop computers. We now use tablets, smartphones, laptops, notepads, ultrabooks, smartwatches etc. People have an average of five email addresses, three phones, two laptops, and four telephone numbers, making it hard to cut through the noise. To ensure that information gets to your employees on the right channels, why not let them work on a device that they're comfortable using. Most of the time that means a smartphone. It's the device we pick up more than 85 times a day, and it's generally the first and last thing we look at in our waking hours. In addition, the Pew Research Center has found that 90% of our text messages are read within the first three minutes of receipt, compared to only 22% of our emails.

4. Language Barriers

While having a diverse and global workforce is something many companies actively seek and take pride in having, the resulting language barriers can be challenging, both within teams, as well as between different corporate locations. Multi-language communication can be slow, ineffective, and sometimes nonexistent. That's why it's important to try and avoid misunderstandings by displaying news in multiple languages, offering easy translation options, and encouraging intercultural training. This might sound like a lot of extra work and expense, but if you ask around, you're likely to find people within your company who are willing to help. Language classes can be made available to your workforce, and even if you have to pay for it, it's well worth the price. Don't try to save money when it comes to enriching your employees ability to communicate. In addition to language barriers, cultural differences can also cause communication difficulties. Especially within international companies, even simple things like meetings can prove to be a challenge.

5. An Overload of Irrelevance

To communicate or not to communicate, that is the question. Similar to the email situation, it's important to know which information actually needs to be shared—as well as when and where it needs to go—and to filter it accordingly. It's therefore useful to create different groups, closed as well as open ones, and to communicate specific information on



SHREE H. N. SHUKLA COLLEGE OF I.T. & MGMT.

(AFFILIATED TO SAURASHTRA UNIVERSITY)

3- Vaishalinagar
Nr. Amrapali Railway Crossing
Raiya Road, Rajkot – 360001
Ph. No–(0281)2471645

2 – Vaishalinagar
Nr. Amrapali Railway Crossing
Raiya Road, Rajkot - 360001
Ph.No–(0281)2440478, 2472590

specific channels. An employee app will allow you to define specific user groups based on an array of criteria (location; project; team, etc.) and to target your content accordingly.

6. A Lack of Mutual Respect

Ideally, groups of people working together consist of individuals from diverse backgrounds with unique experiences. On the downside, this can sometimes lead to misunderstandings if employees don't fully respect one another or they fail to consider the range of experience outside their own from which they could profit. Sharing is caring. When employees are encouraged to share their experiences, respect for one another grows, work environments improve, and communication automatically becomes more beneficial.

7. Budget Constraints

Many companies and HR departments either don't have the necessary resources for developing their own internal communication system, or they feel the perceived results aren't worth the costs. But with recent improvements in technology and software, third-party providers like Staffbase are able to provide affordable opportunities to make communication effective.

Let's Revise

Sr. No.	Questions	Answers
1	If communication moves in one direction only, discourse will quickly become ineffective and so _____ is important on many levels.	Feedback
2	Employees are easily frustrated by _____ inboxes.	Overloaded
3	People tend to avoid communication if it's happening on a _____ they don't feel comfortable using.	Device
4	Is multi language communication slow and ineffective?	Yes
5	Does lack of mutual respect create problems in the communication?	Yes
6	Does budget constraints affect the communication in the organization?	Yes



SHREE H. N. SHUKLA COLLEGE OF I.T. & MGMT.

(AFFILIATED TO SAURASHTRA UNIVERSITY)

3- Vaishalinagar
Nr. Amrapali Railway Crossing
Raiya Road, Rajkot – 360001
Ph. No–(0281)2471645

2 – Vaishalinagar
Nr. Amrapali Railway Crossing
Raiya Road, Rajkot - 360001
Ph.No–(0281)2440478, 2472590

Give an example of Business Communication.

Example:

The top-level management may instruct managers of different departments on certain new rules and regulations in the work area that need to be carried out in routine activities of different departments. Like there may be a change in the office working hours or office timings by the management and the same is communicated to employees by circular or notice or through the e-mail system.

Other examples:

- User – friendly user’s manual
- Best Customer Service to the Customer Feedback
- A Great Meeting Agenda
- Excellent Corporate Apology Letters
- Placing/ Returning of orders/services

CONCLUSION:

Thus, Business Communication is an important task to be carried out effectively for the smooth functioning of the business/ organization.

Business communication encompasses topics such as marketing, brand management, custom relations, consumer behavior, advertising, public relations, corporate communication, community engagement, reputation management, interpersonal communication, employee engagement, event management, etc.

It is closely related to the field of professional communication and technical communication.



SHREE H. N. SHUKLA COLLEGE OF I.T. & MGMT.

(AFFILIATED TO SAURASHTRA UNIVERSITY)

3- Vaishalinagar
Nr. Amrapali Railway Crossing
Raiya Road, Rajkot – 360001
Ph. No–(0281)2471645

2 – Vaishalinagar
Nr. Amrapali Railway Crossing
Raiya Road, Rajkot - 360001
Ph.No–(0281)2440478, 2472590

UNIT – 2

METHODS OF COMMUNICATION

Communication And Different Categories Of Communication.

Communication is simply the act of transferring information from one place, person or group to another.

Every communication involves (at least) one sender, a message and a recipient. This may sound simple, but communication is actually a very complex subject.

The transmission of the message from sender to recipient can be affected by a huge range of things. These include our emotions, the cultural situation, the medium used to communicate, and even our location. The complexity is why good communication skills are considered so desirable by employers around the world: accurate, effective and unambiguous communication is actually extremely hard.

The sender ‘encodes’ the message, usually in a mixture of words and non-verbal communication. It is transmitted in some way (for example, in speech or writing), and the recipient ‘decodes’ it.

Of course, there may be more than one recipient, and the complexity of communication means that each one may receive a slightly different message. Two people may read very different things into the choice of words and/or body language. It is also possible that neither of them will have quite the same understanding as the sender.

In face-to-face communication, the roles of the sender and recipient are not distinct. The two roles will pass back and forwards between two people talking. Both parties communicate with each other, even if in very subtle ways such as through eye-contact (or lack of) and general body language. In written communication, however, the sender and recipient are more distinct.

Categories of communication:

There are a wide range of ways in which we communicate and more than one may be occurring at any given time.

The different categories of communication include:

Spoken or Verbal Communication, which includes face-to-face, telephone, radio or television and other media.



SHREE H. N. SHUKLA COLLEGE OF I.T. & MGMT.

(AFFILIATED TO SAURASHTRA UNIVERSITY)

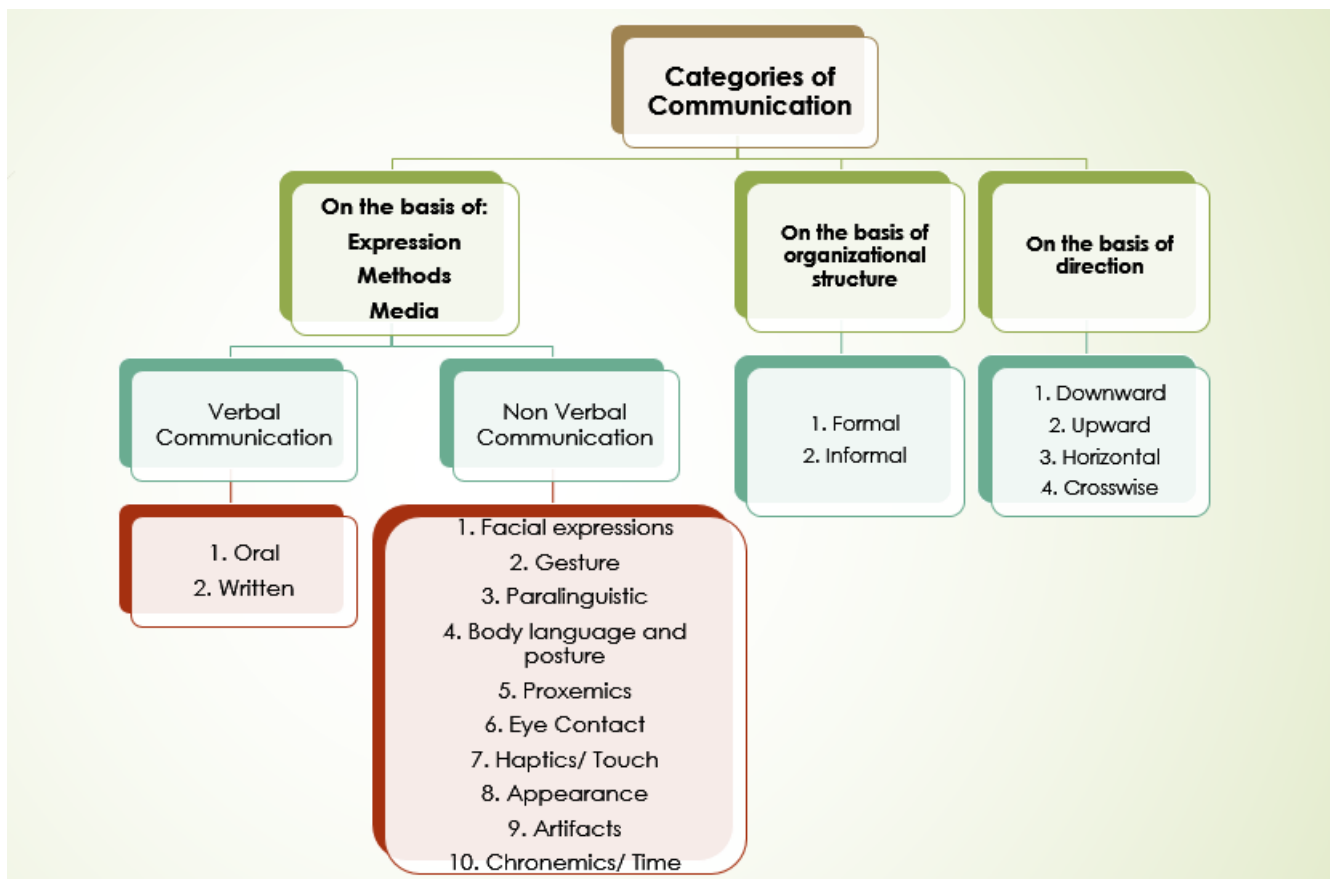
3- Vaishalinagar
Nr. Amrapali Railway Crossing
Raiya Road, Rajkot – 360001
Ph. No–(0281)2471645

2 – Vaishalinagar
Nr. Amrapali Railway Crossing
Raiya Road, Rajkot - 360001
Ph.No–(0281)2440478, 2472590

Non-Verbal Communication, covering body language, gestures, how we dress or act, where we stand, and even our scent. There are many subtle ways that we communicate (perhaps even unintentionally) with others. For example, the tone of voice can give clues to mood or emotional state, whilst hand signals or gestures can add to a spoken message.

Written Communication: which includes letters, e-mails, social media, books, magazines, the Internet and other media. Until recent times, a relatively small number of writers and publishers were very powerful when it came to communicating the written word. Today, we can all write and publish our ideas online, which has led to an explosion of information and communication possibilities.

Visualizations: graphs and charts, maps, logos and other visualizations can all communicate messages.





SHREE H. N. SHUKLA COLLEGE OF I.T. & MGMT.

(AFFILIATED TO SAURASHTRA UNIVERSITY)

3- Vaishalinagar
Nr. Amrapali Railway Crossing
Raiya Road, Rajkot – 360001
Ph. No–(0281)2471645

2 – Vaishalinagar
Nr. Amrapali Railway Crossing
Raiya Road, Rajkot - 360001
Ph.No–(0281)2440478, 2472590

Verbal Communication And Advantages Of Oral And Written Communication.

Verbal communication is the use of sounds and words to express yourself, especially in contrast to using gestures or mannerisms (non-verbal communication). An example of verbal communication is saying “No” when someone asks you to do something you don't want to do.

Verbal communication is the use of words to share information with other people. It can therefore include both spoken and written communication. However, many people use the term to describe only spoken communication. The verbal element of communication is all about the words that you choose, and how they are heard and interpreted.

Verbal communication is any communication that uses words to share information with others. These words may be both spoken and written.

Types of Verbal Communication:

ORAL

- Spoken words and languages
- Voice Chats
- Video Conferencing
- Telephonic conversations
- Face to face talks

WRITTEN

- Letters
- E – mails
- Documents
- SMS
- Social Media Chats

Oral Communication:

Face-to-face oral communication is the most recognized type of oral communication. Here, what you express comes directly from what you speak.

Again, this can be formal or informal: with your friends and family, in a formal meeting or seminar, at work with your colleagues and boss, within your community, during professional presentations, etc.

Main types of oral communication includes:

- Spoken words and languages
- Voice Chats
- Video Conferencing



SHREE H. N. SHUKLA COLLEGE OF I.T. & MGMT.

(AFFILIATED TO SAURASHTRA UNIVERSITY)

3- Vaishalinagar
Nr. Amrapali Railway Crossing
Raiya Road, Rajkot – 360001
Ph. No–(0281)2471645

2 – Vaishalinagar
Nr. Amrapali Railway Crossing
Raiya Road, Rajkot - 360001
Ph.No–(0281)2440478, 2472590

- Telephonic conversations
- Face to face talks

This types of communication

- Gets better with practice. The more you practice with awareness, the more control you will have on your oral expressions.
- Is vibrantly a-live! This means that despite all past rehearsals, oral communication offers you a present-moment opportunity to tune, revise, revoke and fix what you express. It is hence the most powerful type of communication and can work for or against you with every expression.
- Engages your audience more than other types of communication. The listener (or an audience) often expects to speak-back to you with oral communication, enabling two-way communication more than any other channel.

For better/ superior face-to-face communication,

- Always meet the eyes of your audience with confidence, conviction and openness.
- Practice before a mirror to perfect your tone and expressions, so they suit the message you want to convey. They two facets often convey more than your words do.
- Practice using role-play. This means that even when you rehearse before a mirror, candidly ask yourself, “Am I ready to receive this message with this tone and expression?” If you aren’t convinced, your audience won’t be either. So practice again until you get it right.
- Consciously engage your audience’s participation. This is the strength of this type of communication, so never let your oral expression be a one-way rant to yourself. You can do this by asking questions, getting their opinion and encouraging expression of new ideas.
- Finally, become an active listener. An effective oral communicator not only speaks, but also actively listens to his audience.

Oral Communication (Distance)

Distance (oral) communication has made the world a smaller and more accessible place.

Mobile phones, VOIP (Voice Over Internet Protocol), video-conferencing, 2-way webinars, etc. are all modern expansions of distance communication, taking its expression to the next subtle level.



SHREE H. N. SHUKLA COLLEGE OF I.T. & MGMT.

(AFFILIATED TO SAURASHTRA UNIVERSITY)

3- Vaishalinagar
Nr. Amrapali Railway Crossing
Raiya Road, Rajkot – 360001
Ph. No–(0281)2471645

2 – Vaishalinagar
Nr. Amrapali Railway Crossing
Raiya Road, Rajkot - 360001
Ph.No–(0281)2440478, 2472590

And in this type of communication, your tone of voice and pace of delivery take priority over other expressions.

For effective oral communication over distance,

Give higher priority to your listening. When you fail to listen, you will find that multiple people attempt to speak at the same time, undermining the value of this form of communication.

Speak slightly slower than you would in face-to-face communication. This will make sure that you remain aware of the subtle nuances of your tone, and the receiver has time to grasp what you convey.

Always re-iterate what you understand when you listen. This type of communication misses the non-verbal signals that you would receive in face-to-face communication (that can indicate subtle expressions like anger, friendliness, receptivity, sarcasm, etc.) So paraphrase what understand and confirm that this is indeed what the other party also meant to convey.

Where appropriate, wear your friendly face with a smile on your lips and eyes. Feel this friendly face. Your tone will automatically convey your openness and receptivity to the other person. (This may not be appropriate if you expect to convey a warning on the phone, so ensure that your face suits your message.)

Finally, back this up with written communication where possible. The intent is to confirm the take-away from the communication so all parties are on the same page. This makes sense even for an informal call with your friend – perhaps you can send a quick text message to re-iterate how pleasurable it was to speak to him, and then confirm the final call-for-action.



SHREE H. N. SHUKLA COLLEGE OF I.T. & MGMT.

(AFFILIATED TO SAURASHTRA UNIVERSITY)

3- Vaishalinagar
Nr. Amrapali Railway Crossing
Raiya Road, Rajkot – 360001
Ph. No–(0281)2471645

2 – Vaishalinagar
Nr. Amrapali Railway Crossing
Raiya Road, Rajkot - 360001
Ph.No–(0281)2440478, 2472590

Advantages of Oral Communication

Less expensive

Saves time

Immediate feedback

Personal contact

Useful in difficult situations

Co-operative spirit

Useful in secret matters

Persuasive

Useful for all kinds of audiences

Disadvantages of Oral Communication

No legality

Lack of accountability

Low reference value

Greater scope for errors

Easily forgotten

Not useful for long distance



SHREE H. N. SHUKLA COLLEGE OF I.T. & MGMT.

(AFFILIATED TO SAURASHTRA UNIVERSITY)

3- Vaishalinagar
Nr. Amrapali Railway Crossing
Raiya Road, Rajkot – 360001
Ph. No–(0281)2471645

2 – Vaishalinagar
Nr. Amrapali Railway Crossing
Raiya Road, Rajkot - 360001
Ph.No–(0281)2440478, 2472590

Written Communication

A ‘Written Communication’ means the sending of messages, orders or instructions in writing through letters, circulars, manuals, reports, telegrams, office memos, bulletins, etc.

It is a formal method of communication and is less flexible. A written document preserved properly becomes a permanent record for future reference.

It can also be used as legal evidence. It is time-consuming, costly and unsuitable for confidential and emergent communication.

Written communication, to be effective, should be clear, complete, concise, correct, and courteous.

Five elements of written communication skills:

In professional settings, great written communication skills are made up of five key elements. Look at some examples of each of these elements below:

- Clarity
- Conciseness
- Tone
- Active voice
- Grammar and punctuation

Here are a few tips you should keep in mind whenever you are writing anything, whether it’s a quick email or a detailed report:

- Know your goal before you begin writing
- Include only need-to-know details
- Make use of outlines
- Keep it professional
- Edit thoroughly

Advantages of Written Communication:

1. It is suitable for long distance communication and repetitive standing orders.
2. It creates permanent record of evidence. It can be used for future reference.
3. It gives the receiver sufficient time to think, act and react.
4. It can be used as legal document.



SHREE H. N. SHUKLA COLLEGE OF I.T. & MGMT.

(AFFILIATED TO SAURASHTRA UNIVERSITY)

3- Vaishalinagar
Nr. Amrapali Railway Crossing
Raiya Road, Rajkot – 360001
Ph. No–(0281)2471645

2 – Vaishalinagar
Nr. Amrapali Railway Crossing
Raiya Road, Rajkot - 360001
Ph.No–(0281)2440478, 2472590

5. It can be sent to many persons at a time.
6. It is suitable for sending statistical data, chart, diagram, pictures, etc.
7. Order, allocation of work, job distribution, etc. in written form reduce ambiguity and help in fixation of responsibility.
8. Uniformity in work procedure can be maintained through written communication.
9. It is easy to send unpleasant or bad news through written communication.
10. A good written communication can create goodwill and promote business.

Limitations or Disadvantages of Written Communication:

1. It is time-consuming. Composing a message in writing takes much time. Writing letters, typing orders, notices, etc. and sending to appropriate destination require time. Feedback process also is not instant.
2. It is expensive not so much due to postal charges but in terms of so many people spending so much of their time.
3. It cannot maintain strict secrecy which would have been possible in oral communication.
4. Written communication has no scope for immediate clarification if not understood properly.
5. Being written in nature it is less flexible and cannot be changed easily.
6. It is not effective in the case of emergency.

Non Verbal Communication Skills:

According to experts, a substantial portion of our communication is nonverbal. Every day we respond to thousands of nonverbal cues and behaviors, including postures, facial expressions, eye gaze, gestures, and tone of voice. From our handshakes to our hairstyles, nonverbal details reveal who we are and impact how we relate to other people.

Nonverbal communication plays an important role in how we convey meaning and information to others, as well as how we interpret the actions of those around us.

The important thing to remember when looking at such nonverbal behaviors is to consider the actions in groups. What a person actually says along with his or her expressions, appearance, and tone of voice might tell you a great deal about what that person is really trying to say.

Facial Expression:

Facial expressions are responsible for a huge proportion of nonverbal communication. Consider how much information can be conveyed with a smile or a frown. The look on a person's face is often the first thing we see, even before we hear what they have to say.



SHREE H. N. SHUKLA COLLEGE OF I.T. & MGMT.

(AFFILIATED TO SAURASHTRA UNIVERSITY)

3- Vaishalinagar
Nr. Amrapali Railway Crossing
Raiya Road, Rajkot – 360001
Ph. No–(0281)2471645

2 – Vaishalinagar
Nr. Amrapali Railway Crossing
Raiya Road, Rajkot - 360001
Ph.No–(0281)2440478, 2472590

While nonverbal communication and behavior can vary dramatically between cultures, the facial expressions for happiness, sadness, anger, and fear are similar throughout the world.

Gestures:

Deliberate movements and signals are an important way to communicate meaning without words. Common gestures include waving, pointing, and using fingers to indicate numeric amounts. Other gestures are arbitrary and related to culture.

In courtroom settings, lawyers have been known to utilize different nonverbal signals to attempt to sway juror opinions. An attorney might glance at his watch to suggest that the opposing lawyer's argument is tedious or might even roll his eyes at the testimony offered by a witness in an attempt to undermine his or her credibility.

These nonverbal signals are seen as being so powerful and influential that some judges even place limits on what type of nonverbal behaviors are allowed in the courtroom.

Paralinguistics:

Paralinguistics refers to vocal communication that is separate from actual language.

This includes factors such as tone of voice, loudness, inflection, and pitch.

Consider the powerful effect that tone of voice can have on the meaning of a sentence. When said in a strong tone of voice, listeners might interpret approval and enthusiasm. The same words said in a hesitant tone of voice might convey disapproval and a lack of interest.

Consider all the different ways that simply changing your tone of voice might change the meaning of a sentence. A friend might ask you how you are doing, and you might respond with the standard "I'm fine," but how you actually say those words might reveal a tremendous amount of how you are really feeling.

A cold tone of voice might suggest that you are actually not fine, but you don't wish to discuss it. A bright, happy tone of voice will reveal that you are actually doing quite well. A somber, downcast tone would indicate that you are the opposite of fine and that perhaps your friend should inquire further.

Body Language (Kinesics) and Posture:

Posture and movement can also convey a great deal of information. Research on body language has grown significantly since the 1970s, but popular media have focused on the over-interpretation of defensive postures, arm-crossing, and leg-crossing, especially after publishing Julius Fast's book *Body Language*.



SHREE H. N. SHUKLA COLLEGE OF I.T. & MGMT.

(AFFILIATED TO SAURASHTRA UNIVERSITY)

3- Vaishalinagar
Nr. Amrapali Railway Crossing
Raiya Road, Rajkot – 360001
Ph. No–(0281)2471645

2 – Vaishalinagar
Nr. Amrapali Railway Crossing
Raiya Road, Rajkot - 360001
Ph.No–(0281)2440478, 2472590

- 55% body language
- 38% tone of voice
- 7% words

While these nonverbal behaviors can indicate feelings and attitudes, research suggests that body language is far more subtle and less definitive than previously believed.

Proxemics: (Space/ Distance)

People often refer to their need for "personal space," which is also an important type of nonverbal communication. The amount of distance we need and the amount of space we perceive as belonging to us is influenced by a number of factors including social norms, cultural expectations, situational factors, personality characteristics, and level of familiarity.

The amount of personal space needed when having a casual conversation with another person usually varies between 18 inches to four feet. On the other hand, the personal distance needed when speaking to a crowd of people is around 10 to 12 feet.

- Intimate distance (physical contact to 18 inches)
- Personal distance (18 inches to 4 ft)
- Social distance (4 ft – 12 ft)
- Public distance (12 ft to range of seeing and hearing)

Eye Contact:

The eyes play an important role in nonverbal communication and such things as looking, staring and blinking are important nonverbal behaviors. When people encounter people or things that they like, the rate of blinking increases and pupils dilate. Looking at another person can indicate a range of emotions including hostility, interest, and attraction.

People also utilize eye gaze as a means to determine if someone is being honest.

Normal, steady eye contact is often taken as a sign that a person is telling the truth and is trustworthy. Shifty eyes and an inability to maintain eye contact, on the other hand, is frequently seen as an indicator that someone is lying or being deceptive.

Haptics/ Touch:

Haptics is a form of non- verbal communication using a sense of touch. Some forms of Haptics communication is Handshake, or a gentle pat on back, or a high five. The sense of touch allows one to experience different sensations.



SHREE H. N. SHUKLA COLLEGE OF I.T. & MGMT.

(AFFILIATED TO SAURASHTRA UNIVERSITY)

3- Vaishalinagar
Nr. Amrapali Railway Crossing
Raiya Road, Rajkot – 360001
Ph. No–(0281)2471645

2 – Vaishalinagar
Nr. Amrapali Railway Crossing
Raiya Road, Rajkot - 360001
Ph.No–(0281)2440478, 2472590

Haptics can be categorized into five types :

- Functional/Professional
- Social/ Polite
- Friendship/Warmth
- Love/Intimacy
- Sexual/Arousal

Appearance: (Dressing & Grooming)

Personal appearance is an often-disregarded part of communication and presentation skills.

When you are speaking in public, you may be representing your organisation or just yourself. It is still you at the front. It is you that the other person, group or audience sees and before you have time to open your mouth and say anything, certain assumptions, both consciously and subconsciously, have been made.

First impressions are very important - they can be about attitude as well as dress.

Visual impact is at least as important as verbal impact. People will very quickly make assumptions based on your personal appearance, including your facial expressions, the clothes you wear, how well-groomed you are and your body language.

Artifacts:

Artifacts are physical objects, such as clothing, homes, and cars, that indicate to others a person's personal and social beliefs and habits.

- Clothing
- Jewelry
- Body piercing
- Space decoration

Chronemics/ Time

The use of time in nonverbal communication is formally defined as chronemics - the study of the way we both use and perceive the use of time.

In direct communication, the use of time can convey a powerful nonverbal message. This message is often communicated through the following two uses of timing:

- punctuality / the patience to wait
- the speed of speech / how long people are willing to listen



SHREE H. N. SHUKLA COLLEGE OF I.T. & MGMT.

(AFFILIATED TO SAURASHTRA UNIVERSITY)

3- Vaishalinagar
Nr. Amrapali Railway Crossing
Raiya Road, Rajkot – 360001
Ph. No–(0281)2471645

2 – Vaishalinagar
Nr. Amrapali Railway Crossing
Raiya Road, Rajkot - 360001
Ph.No–(0281)2440478, 2472590

With respect to punctuality / the patience to wait, time can be used as an indicator of status. For example, in most companies the boss can interrupt progress to hold any sort of meeting in the middle of the work day, yet the average worker would have to make an appointment to see the boss.

The speed of speech / how long people are willing to listen, can have a significant impact on the effectiveness of the verbal message.

Communication on the basis of direction:

Downward Communication

Downward communication represents the most stereotypical form of formal communication. Information flows from management level down to lower levels. It is the most common form of formal communication. Downward communication includes orders and instructions represented in oral or written format. Reports, emails, letters and manual communication are commonly used downward communication tools.

Upward Communication

Upward communication contains information which passes from subordinate levels up to management and senior levels. Common forms of upward communication include (from employees to managers and above) reports, suggestions, requests, instructions and complaints.

Horizontal Communication

Horizontal communication refers to communication between individuals who are at the same or similar levels within an organization but have different areas of responsibility. Horizontal communication is slightly more fluid and dependent on cross-individual communication. Typical examples exist as communication between managers of different departments (HR, Marketing, Sales, etc.).

Crosswise/ Diagonal Communication

This occurs when employees of different departments at different levels communicate with each other irrespective of the chain of command. Communication between a floor manager and a Sales team is a prime example of diagonal communication.



SHREE H. N. SHUKLA COLLEGE OF I.T. & MGMT.

(AFFILIATED TO SAURASHTRA UNIVERSITY)

3- Vaishalinagar
Nr. Amrapali Railway Crossing
Raiya Road, Rajkot – 360001
Ph. No–(0281)2471645

2 – Vaishalinagar
Nr. Amrapali Railway Crossing
Raiya Road, Rajkot - 360001
Ph.No–(0281)2440478, 2472590

UNIT – 3

TYPES OF COMMUNICATION

INTRODUCTION

Business communication may be defined as, the passing of information message or news within or outside the company for the financial benefit of the organization.

To elaborate, communication is the process through which an idea, opinion, or information is transferred to others.

It is a process of exchanging idea, meaning, message, feeling, emotion, or understanding from one mindset to another mindset, this may include the use of various services for exchange process.

A lot of communication among organizational members is required to achieve the corporate goals. Therefore, understanding of communication and how it can be made efficient is important for managers.

There is a different kind of organizations or business entities, for example, organizations having a business only within the country and companies which are multinationals. However, the process, method, types, the principle remains almost same with those of general communication. The primary difference lies in their area of application.

Formal channel/ network

‘Formal Communication’ refers to the flow of information through a structured path in a formal organisation.

It maintains superior-subordinate relationship and follows the chain of command. It is a two-way communication.

A formal communication channel transmits information such as the goals, policies and procedures of an organization. Messages in this type of communication channel follow a chain of command. This means information flows from a manager to his subordinates and they in turn pass on the information to the next level of staff.

An example of a formal communication channel is a company's newsletter, which gives employees as well as the clients a clear idea of a company's goals and vision. It also includes the transfer of information with regard to memorandum, reports, directions, and scheduled meetings in the chain of command.

A business plan, customer satisfaction survey, annual reports, employer's manual, review meetings are all formal communication channels.



SHREE H. N. SHUKLA COLLEGE OF I.T. & MGMT.

(AFFILIATED TO SAURASHTRA UNIVERSITY)

3- Vaishalinagar
Nr. Amrapali Railway Crossing
Raiya Road, Rajkot – 360001
Ph. No–(0281)2471645

2 – Vaishalinagar
Nr. Amrapali Railway Crossing
Raiya Road, Rajkot - 360001
Ph.No–(0281)2440478, 2472590

Purpose of formal communication

The purpose of formal communication is

- to give orders,
- convey instructions and
- fulfill the objective of the organisation through some pre-determined rules and regulations.

Characteristics of formal communication

1. Formal communication flows through structured path.
2. It is official and formal in nature.
3. It is mainly in writing but sometimes verbal communication is also considered as formal communication.
4. It requires sanction of higher authority.
5. It may be downward, upward or two-way.
6. The rank, position and authority have great significance in such communication.
7. A standard is maintained in such communication.

ADVANTAGES OF FORMAL CHANNEL

Increase overall efficiency: This type of communication is used by following the predetermined rules so it increases the overall efficiency of the organization.

Easy communication system: The top level management communicates with their employees by using formal downward communication system. Again the employees communicate with their higher authority to use this system. It is very much easy to communicate with each other.

Permanent record: The copy of formal communication is always preserved in the file and it is used as reference. As a result, it is easy to seek the copy of it if necessary.

Quick accomplishment of work: Sometimes the rapid communication is to be needed with the employees. To use the formal downward communication system it is possible to communicate with the employees quickly. So the work may be done timely.

Maintenance of discipline: Under the formal communication system the workers are bound to be careful to their own duty. So ultimately it makes discipline in the organization.

Ease of cooperation and coordination: Cooperation and coordination is very much essential to carry out the business activity smoothly. Formal communication is a part of coordination. So, coordinated activities can be done properly and easily through formal communication.



SHREE H. N. SHUKLA COLLEGE OF I.T. & MGMT.

(AFFILIATED TO SAURASHTRA UNIVERSITY)

3- Vaishalinagar
Nr. Amrapali Railway Crossing
Raiya Road, Rajkot – 360001
Ph. No–(0281)2471645

2 – Vaishalinagar
Nr. Amrapali Railway Crossing
Raiya Road, Rajkot - 360001
Ph.No–(0281)2440478, 2472590

Use as reference: Documents of formal communication is recorded by the organization. So, these recorded documents are used as a source of the employees.

Ease of delegation of authority: Authority is delegated by the superiors to the subordinates through the help of this communication.

Free from mistakes: Since formal communication has well-defined rules and regulations. So, there is a little chance of mistakes in exchanging information within the employees.

Others: Increasing attention, reliability, accuracy, smooth communication system, free form distortion, easy to understand, increasing company goodwill, etc.

DISADVANTAGES OF FORMAL CHANNEL

Wastage of time: Top-level management communicates with their employees by maintaining the board of succession, not by-passing any executive or any level. That is why it takes a lot of time and it wastages much time of the concerned person.

Inflexibility: Ordinarily the formal communication is inflexible. If somebody out of the channel intends to change his views it is not possible. Even when it is needed to change, it is very much difficult.

Lack of initiative: Under this communication system everybody does their duty by following specific predetermined system. So it makes the obstacle to develop the creativeness of the employee.

Authoritarian attitude: In this system the sender is higher authority and the receiver is lower staffs. Generally the superior's order cannot be disobeyed. It creates an authoritarian culture in the organization.

INFORMAL CHANNEL/ NETWORK

The Informal Communication is the casual and unofficial form of communication wherein the information is exchanged spontaneously between two or more persons without conforming the prescribed official rules, processes, system, formalities and chain of command.

The informal communications are based on the personal or informal relations such as friends, peers, family, club members, etc. and thus is free from the organizational conventional rules and other formalities. In the business context, the informal communication is called as a “grapevine” as it is difficult to define the beginning and end of the communication.



SHREE H. N. SHUKLA COLLEGE OF I.T. & MGMT.

(AFFILIATED TO SAURASHTRA UNIVERSITY)

3- Vaishalinagar
Nr. Amrapali Railway Crossing
Raiya Road, Rajkot – 360001
Ph. No–(0281)2471645

2 – Vaishalinagar
Nr. Amrapali Railway Crossing
Raiya Road, Rajkot - 360001
Ph.No–(0281)2440478, 2472590

Why grapevines are formed?

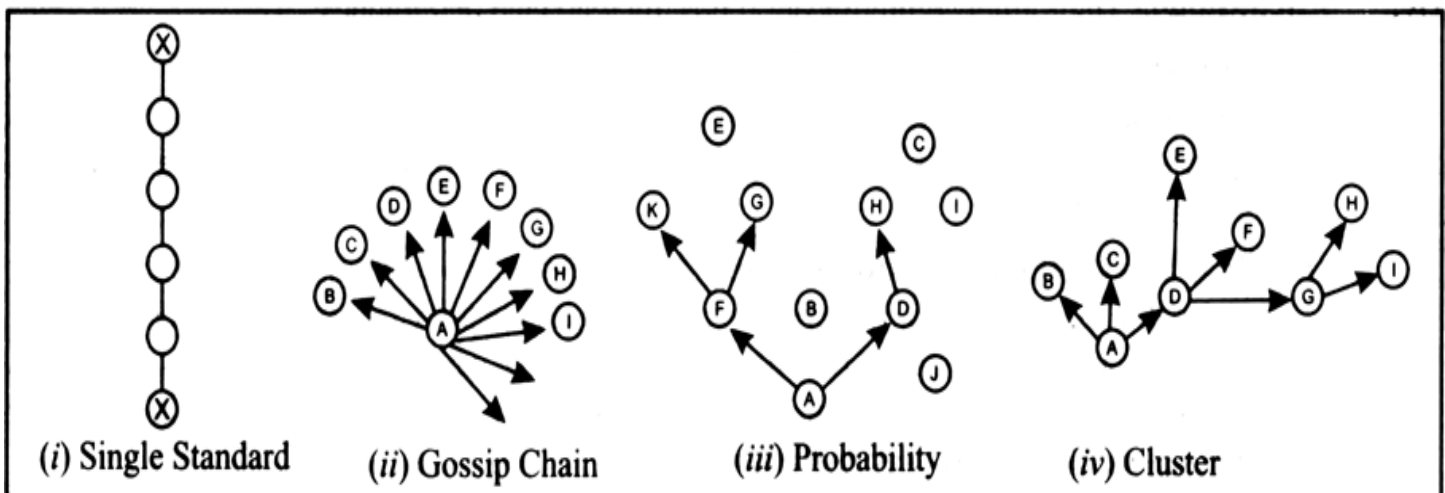
- Organization passing through crisis, feeling of uncertainty and lack of sense of direction.
- Discrimination between favorites and non favorites
- Lack of self confidence among employees
- Intentionally hurting other person's reputation

TYPES OF INFORMAL (GRAPEVINE) COMMUNICATION

There are four types of Informal Communication (Grapevine) network that show how the communication is facilitated. These are:

- Single Strand Chain
- Gossip Chain
- Probability Chain
- Cluster Chain

The gossip in the organization is the best example of informal communication, wherein the employees of different department irrespective of their hierarchical positions come together and communicate with each other. The grapevine satisfies the social needs of people and smoothens the formal relations by filling in the gaps and even bring together different people who do not fall under the common chain of command.





SHREE H. N. SHUKLA COLLEGE OF I.T. & MGMT.

(AFFILIATED TO SAURASHTRA UNIVERSITY)

3- Vaishalinagar
Nr. Amrapali Railway Crossing
Raiya Road, Rajkot – 360001
Ph. No–(0281)2471645

2 – Vaishalinagar
Nr. Amrapali Railway Crossing
Raiya Road, Rajkot - 360001
Ph.No–(0281)2440478, 2472590

SINGLE STRAND CHAIN

The information flows from one person to another in a sequential order. For example, A passes to B, then B passes to C, then C passes to D and so on.

GOSSIP CHAIN

The information which is of interest to all but does not normally relate to official works is passed on by one person alone to the rest of the organizational members.

PROBABILITY CHAIN

Not too important information, but which is likely to be shared with others is randomly passed on by one person to whomsoever comes in contact with him.

CLUSTER CHAIN

One person passes on the information to a selected group of people who further passes it on to other selected group of people.

ADVANTAGES OF GRAPEVINE/ INFORMAL COMMUNICATION

Interpret: The information is given by the top-level management under the formal system. It is easy for the employees to take the explanation by informal system. So this system plays a vital role to complete the work properly.

Present grievance: Under the informal system the employees disclose their needs, sentiment and their emotions to others authority without feeling any hesitation.

Alternate system: The management sometimes does not able to reach all information by formal system. Informal system covers the gap or familiarity of formal system.

Improved relationship: Any problem between the workers and the management can be solved by informal system. So it makes good relationships among the employees and the management.

Increase efficiency: Under the informal system, the employees discuss their problems openly and they can solve it. For this, the work is done properly and it develops the efficiency of the employee.

Providing recommendation: In this system the employees inform their superior about their demands, problem and the way to develop the implementation system of the work. As a result it creates an opportunity to send the recommendation to their management.

Flexibility: Informal communication is more flexible than formal communication because it is free from all types of formalities.



SHREE H. N. SHUKLA COLLEGE OF I.T. & MGMT.

(AFFILIATED TO SAURASHTRA UNIVERSITY)

3- Vaishalinagar
Nr. Amrapali Railway Crossing
Raiya Road, Rajkot – 360001
Ph. No–(0281)2471645

2 – Vaishalinagar
Nr. Amrapali Railway Crossing
Raiya Road, Rajkot - 360001
Ph.No–(0281)2440478, 2472590

Rapid communication: Informal communication transmits very fast. Especially miss-information or rumor spread rapidly to others in the organization.

Improve interpersonal relationship: Cooperation and coordination in informal communication leads to improve interpersonal relationship which is very much essential to carry out the business activity smoothly.

Others: Improve labor-management relationships. Free flow of information. Remove mental distance. Evaluation of employees. Obtain immediate feedback. Reliving frustration. Increasing efficiency. Solution of problems and helping decision-making. Enhance mutual trust etc.

DISADVANTAGES OF GRAPEVINE/ INFORMAL COMMUNICATION

Distort meaning: Something the meaning and the subject matter of the information is distorted in this system.

Spread rumor: In this system, the miss-information or rumor spread rapidly. The original information may be transformed to wrong information.

Misunderstanding: Under this system, generally, the employees do not obey the formal authorization system. So it creates the opportunity to develop misunderstanding.

Maintaining secrecy is impossible: In informal communication system maximum communication is made by open discussion. So it is impossible to maintain the secrecy of the information.

Difficulty in controlling: Under informal communication system no established rules or policy is obeyed. So it is very much difficult to control the information.

Non-cooperation: Informal communication system sometimes develops the adversary culture among the employees. So they are not to be cooperative with each other and their efficiency may be reduced.

Others: Providing partial information. Not reliable. No documentary evidence. Damaging discipline. Contradicting to formal information etc.



SHREE H. N. SHUKLA COLLEGE OF I.T. & MGMT.

(AFFILIATED TO SAURASHTRA UNIVERSITY)

3- Vaishalinagar
Nr. Amrapali Railway Crossing
Raiya Road, Rajkot – 360001
Ph. No–(0281)2471645

2 – Vaishalinagar
Nr. Amrapali Railway Crossing
Raiya Road, Rajkot - 360001
Ph.No–(0281)2440478, 2472590

Comparison between: Formal and Informal communication

Basis	Formal Communication	Informal Communication
Origin	Deliberately Structured	Spontaneous and Unstructured
Nature	Well Planned, Systematic and Authorized	Unplanned, unsystematic and unauthorized
Flow	Prescribed through chain of command	Unofficial channels not Prescribed
Flexibility	Rigid	Flexible
Authority	Official Channel	Unofficial
Purpose	To achieve Business Objectives	To satisfy personal needs
Speed	Time taking	Fast
Accuracy	Accurate, Legal and Authentic	Often Distorted, may be Rumors and Gossips
Form	Oral and Written	Usually Oral
Source	Can be traced	Cannot be traced



SHREE H. N. SHUKLA COLLEGE OF I.T. & MGMT.

(AFFILIATED TO SAURASHTRA UNIVERSITY)

3- Vaishalinagar
Nr. Amrapali Railway Crossing
Raiya Road, Rajkot – 360001
Ph. No–(0281)2471645

2 – Vaishalinagar
Nr. Amrapali Railway Crossing
Raiya Road, Rajkot - 360001
Ph.No–(0281)2440478, 2472590

UNIT – 4

BARRIERS TO COMMUNICATION

INTRODUCTION

- There are many reasons why communications may fail.
- In many communications, the message may not be received exactly the way the sender intended and hence it is important that the communicator seeks feedback to check that their message is clearly understood.
- The skills of Active Listening, Clarification and Reflection, may help but the skilled communicator also needs to be aware of the barriers to effective communication. There exist many barriers to communication and these may occur at any stage in the communication process.
- Barriers may lead to your message becoming distorted and you therefore risk wasting both time and/or money by causing confusion and misunderstanding.
- Effective communication involves overcoming these barriers and conveying a clear and concise message.

COMMON BARRIERS TO EFFECTIVE COMMUNICATION

- Use of jargon – Over-complicated or unfamiliar terms/ difficult words
- Emotional barriers and taboos
- Lack of attention, interest, distractions, or irrelevance to the receiver
- Differences in perception and viewpoint
- Physical disabilities such as hearing problems or speech difficulties
- Physical barriers to non-verbal communication
- Language differences and the difficulty in understanding unfamiliar accents
- Expectations and prejudices which may lead to false assumptions or stereotyping
- Cultural differences - The norms of social interaction vary greatly in different cultures, as do the way in which emotions are expressed.

Linguistic/ Semantic Barriers

- The language barrier is one of the main barriers that limit effective communication. Language is the most commonly employed tool of communication. The fact that each



SHREE H. N. SHUKLA COLLEGE OF I.T. & MGMT.

(AFFILIATED TO SAURASHTRA UNIVERSITY)

3- Vaishalinagar
Nr. Amrapali Railway Crossing
Raiya Road, Rajkot – 360001
Ph. No–(0281)2471645

2 – Vaishalinagar
Nr. Amrapali Railway Crossing
Raiya Road, Rajkot - 360001
Ph.No–(0281)2440478, 2472590

major region has its own language is one of the Barriers to effective communication. Sometimes even a thick dialect may render the communication ineffective.

- As per some estimates, the dialects of every two regions changes within a few kilometers. Even in the same workplace, different employees will have different linguistic skills. As a result, the communication channels that span across the organization would be affected by this.

Psychological Barriers

- There are various mental and psychological issues that may be barriers to effective communication.
- Some people have stage fear, speech disorders, phobia, depression etc.
- All of these conditions are very difficult to manage sometimes and will most certainly limit the ease of communication.

Emotional Barriers

- The emotional intelligence of a person determines the ease and comfort with which they can communicate. A person who is emotionally mature will be able to communicate effectively. On the other hand, people who let their emotions take over will face certain difficulties.
- A perfect mixture of emotions and facts is necessary for effective communication.
- Emotions like anger, frustration, humour, can blur the decision-making capacities of a person and thus limit the effectiveness of their communication.

Physical Barriers to Communication

- They are the most obvious barriers to effective communication. These barriers are mostly easily removable in principle at least.
- They include barriers like noise, closed doors, faulty equipment used for communication, closed cabins, etc.
- Sometimes, in a large office, the physical separation between various employees combined with faulty equipment may result in severe barriers to effective communication.

Cultural Barriers of Communication

- As the world is getting more and more globalized, any large office may have people from several parts of the world. Different cultures have a different meaning for several basic



SHREE H. N. SHUKLA COLLEGE OF I.T. & MGMT.

(AFFILIATED TO SAURASHTRA UNIVERSITY)

3- Vaishalinagar
Nr. Amrapali Railway Crossing
Raiya Road, Rajkot – 360001
Ph. No–(0281)2471645

2 – Vaishalinagar
Nr. Amrapali Railway Crossing
Raiya Road, Rajkot - 360001
Ph.No–(0281)2440478, 2472590

values of society. Dressing, Religions or lack of them, food, drinks, pets, and the general behavior will change drastically from one culture to another.

- Hence it is a must that we must take these different cultures into account while communication. This is what we call being culturally appropriate. In many multinational companies, special courses are offered at the orientation stages that let people know about other cultures and how to be courteous and tolerant of others.

Organisational Structure Barriers

- As we saw there are many methods of communication at an organizational level.
- Each of these methods has its own problems and constraints that may become barriers to effective communication.
- Most of these barriers arise because of misinformation or lack of appropriate transparency available to the employees.

Attitude Barriers

- Certain people like to be left alone. They are the introverts or just people who are not very social. Others like to be social or sometimes extra clingy! Both these cases could become a barrier to communication. Some people have attitude issues, like huge ego and inconsiderate behaviours.
- These employees can cause severe strains in the communication channels that they are present in. Certain personality traits like shyness, anger, social anxiety may be removable through courses and proper training. However, problems like egocentric behaviour and selfishness may not be correctable.

Perception Barriers

- Different people perceive the same things differently.
- This is a fact which we must consider during the communication process.
- Knowledge of the perception levels of the audience is crucial to effective communication.
- All the messages must be easy and clear. There shouldn't be any room for a diversified interpretational set.

Physiological Barriers

- Certain disorders or diseases or other limitations could also prevent effective communication between the various channels of an organization.
- The shrillness of voice, dyslexia, etc are some examples of physiological barriers to effective communication.



SHREE H. N. SHUKLA COLLEGE OF I.T. & MGMT.

(AFFILIATED TO SAURASHTRA UNIVERSITY)

3- Vaishalinagar
Nr. Amrapali Railway Crossing
Raiya Road, Rajkot – 360001
Ph. No–(0281)2471645

2 – Vaishalinagar
Nr. Amrapali Railway Crossing
Raiya Road, Rajkot - 360001
Ph.No–(0281)2440478, 2472590

- However, these are not crucial because they can easily be compensated and removed.

Technological Barriers & Socio-religious Barriers

- Other barriers include the technological barriers. The technology is developing fast and as a result, it becomes difficult to keep up with the newest developments. Hence sometimes the technological advance may become a barrier. In addition to this, the cost of technology is sometimes very high.
- Most of the organizations will not be able to afford a decent tech for the purpose of communication. Hence, this becomes a very crucial barrier. Other barriers are socio-religious barriers. In a patriarchal society, a woman or a transgender may face many difficulties and barriers while communicating.

FEW OTHER TYPES OF BARRIERS

- Sender oriented barriers
 - Badly expressed message
 - ‘I’ – attitude
 - Loss of transmission
 - Over/ under communication
- Receiver oriented barriers
 - Poor retention
 - Inattentive listening
 - Resistance to change
 - Differing status and position
- Goal Conflicts
 - Differing goals
 - Bifurcation of interests
 - Competing to fulfill their narrow interests
- Information Overload
 - Inflow of unchecked information
 - Delay of processing and responding

OVERCOMING BARRIERS

- **Eliminating differences in perception:**



SHREE H. N. SHUKLA COLLEGE OF I.T. & MGMT.

(AFFILIATED TO SAURASHTRA UNIVERSITY)

3- Vaishalinagar
Nr. Amrapali Railway Crossing
Raiya Road, Rajkot – 360001
Ph. No–(0281)2471645

2 – Vaishalinagar
Nr. Amrapali Railway Crossing
Raiya Road, Rajkot - 360001
Ph.No–(0281)2440478, 2472590

- The organization should ensure that it is recruiting right individuals on the job. It's the responsibility of the interviewer to ensure that the interviewee has command over the written and spoken language. There should be proper Induction program so that the policies of the company are clear to all the employees. There should be proper trainings conducted for required employees
- **Flexibility in meeting the targets:**
 - For effective communication in an organization the managers should ensure that the individuals are meeting their targets timely without skipping the formal channels of communication. There should not be much pressure on employees to meet their targets.
- **Use of Simple Language:**
 - Use of simple and clear words should be emphasized. Use of ambiguous words and jargons should be avoided.
- **Reduction and elimination of noise levels:**
 - Noise is the main communication barrier which must be overcome on priority basis. It is essential to identify the source of noise and then eliminate that source.
- **Active Listening:**
 - Listen attentively and carefully. There is a difference between “listening” and “hearing”. Active listening means hearing with proper understanding of the message that is heard. By asking questions the speaker can ensure whether his/her message is understood or not by the receiver in the same terms as intended by the speaker.
- **Emotional State:**
 - During communication one should make effective use of body language. He/she should not show their emotions while communication as the receiver might misinterpret the message being delivered. For example, if the conveyer of the message is in a bad mood then the receiver might think that the information being delivered is not good.
- **Simple Organizational Structure:**
 - The organizational structure should not be complex. The number of hierarchical levels should be optimum. There should be a ideal span of control within the



SHREE H. N. SHUKLA COLLEGE OF I.T. & MGMT.

(AFFILIATED TO SAURASHTRA UNIVERSITY)

3- Vaishalinagar
Nr. Amrapali Railway Crossing
Raiya Road, Rajkot – 360001
Ph. No–(0281)2471645

2 – Vaishalinagar
Nr. Amrapali Railway Crossing
Raiya Road, Rajkot - 360001
Ph.No–(0281)2440478, 2472590

organization. Simpler the organizational structure, more effective will be the communication.

– **Avoid Information Overload:**

- The managers should know how to prioritize their work. They should not overload themselves with the work. They should spend quality time with their subordinates and should listen to their problems and feedbacks actively.

– **Give Constructive Feedback:**

- Avoid giving negative feedback. The contents of the feedback might be negative, but it should be delivered constructively. Constructive feedback will lead to effective communication between the superior and subordinate.

– **Proper Media Selection:**

- The managers should properly select the medium of communication. Simple messages should be conveyed orally, like: face to face interaction or meetings. Use of written means of communication should be encouraged for delivering complex messages. For significant messages reminders can be given by using written means of communication such as : Memos, Notices etc.



SHREE H. N. SHUKLA COLLEGE OF I.T. & MGMT.

(AFFILIATED TO SAURASHTRA UNIVERSITY)

3- Vaishalinagar
Nr. Amrapali Railway Crossing
Raiya Road, Rajkot – 360001
Ph. No–(0281)2471645

2 – Vaishalinagar
Nr. Amrapali Railway Crossing
Raiya Road, Rajkot - 360001
Ph.No–(0281)2440478, 2472590

UNIT – 5

WRITTEN COMMUNICATION: BUSINESS LETTERS (THEORY)

Introduction

- Business Letter is a letter which is used by organizations to communicate in a professional way with customers, other companies, clients, shareholders, investors, etc. Business letter uses formal language and a specific format.
- Companies use it to convey important information and messages. An individual can also use it while writing an application for a job, cover letters, or any formal document.

Business Letter Definition

- A letter written for business purpose is a business letter. Inquiry letter, offer letter, order letter, cover letter, notices, termination of employment are some of the business letters. Suppose a person wants to write any of these business letters.
- There is a pre-specified format for writing a business letter. There are some parts of a business letter and rules associated with them.

Parts/ Inward Structure of a Business Letter

- A business letter will be more impressive if proper attention is given to each and every part of the business letter.

There are basically 8 Parts of Business Letter

- The Heading or Letterhead
- Date
- Inside Address/ Receiver's address
- Salutation
- Subject line
- Body of the letter
- Complimentary Close
- Signature and Writer's Identification
- Enclosures (optional)

1. The Heading or Letterhead (Crown of business letter) (Window of the firm)

- It usually contains the name and the address of the business or an organization. It can also have an email address, contact number, fax number, trademark or logo of the business.



SHREE H. N. SHUKLA COLLEGE OF I.T. & MGMT.

(AFFILIATED TO SAURASHTRA UNIVERSITY)

3- Vaishalinagar
Nr. Amrapali Railway Crossing
Raiya Road, Rajkot – 360001
Ph. No–(0281)2471645

2 – Vaishalinagar
Nr. Amrapali Railway Crossing
Raiya Road, Rajkot - 360001
Ph.No–(0281)2440478, 2472590

2. Date

- We write the date on the right – hand side or left – hand side corner of the letter below the heading.

3. The Inside Address

- It includes the name, address, postal code, and job title of the recipient. It must be mentioned after the reference. One must write inside address on the left-hand side of the sheet.

4. The Salutation/ Greeting

- It contains the words to greet the recipient. It is also known as the salutation. The type of salutation depends upon the relationship with the recipient.
- It generally includes words like Dear, Respected, or just Sir/Madam. A comma (,) usually follow the salutation.

5. Subject

- It is a brief statement mentioning the reason for writing the letter. It should be clear, eye catchy, short, simple, and easily understandable.

6. The Body Paragraphs

- This is the main part of the letter. It contains the actual message of the sender. The main body of the mail must be clear and simple to understand. The body of the letter is basically divided into three main categories.
- **Opening Part:** The first paragraph of the mail writing must state the introduction of the writer. It also contains the previous correspondence if any.
- **Main Part:** This paragraph states the main idea or the reason for writing. It must be clear, concise, complete, and to the point.
- **Concluding Part:** It is the conclusion of the business letter. It shows the suggestions or the need of the action. The closing of the letter shows the expectation of the sender from the recipient. Always end your mail by courteous words like thanking you, warm regards, look forward to hearing from your side etc.

7. The Complimentary Close

- It is a humble way of ending a letter. It is written in accordance with the salutation. The most generally used complimentary close are Yours faithfully, Yours sincerely, and Thanks & Regards.

8. Signature and Writer's Identification



SHREE H. N. SHUKLA COLLEGE OF I.T. & MGMT.

(AFFILIATED TO SAURASHTRA UNIVERSITY)

3- Vaishalinagar
Nr. Amrapali Railway Crossing
Raiya Road, Rajkot – 360001
Ph. No–(0281)2471645

2 – Vaishalinagar
Nr. Amrapali Railway Crossing
Raiya Road, Rajkot - 360001
Ph.No–(0281)2440478, 2472590

- It includes the signature, name, and designation of the sender. It can also include other details like contact number, address, etc. The signature is handwritten just above the name of the sender.

9. Enclosures

- Enclosures show the documents attached to the letter. The documents can be anything like cheque, draft, bills, receipts, invoices, etc. It is listed one by one.
- Additional Parts of a Business Letter

Copy Circulation

- It is needed when the copies of the letter are sent to other persons. It is denoted as C.C.

PostScript

- The sender can mention it when he wants to add something other than the message in the body of the letter. It is written as P.S.

Essentials of a Good Business Letter

Correctness: A letter must be correct in every aspect. Especially in: 1) in appearance and form of layout 2) in grammar, spelling and use of language 3) in the information it conveys. Completeness of a letter is dependent on the correctness of the letter. Following correctness should be taken care of:

- Correctness of details: It is necessary that the facts presented in the business letter is correct. In fact, one should not transmit any message unless he is absolutely sure of its correctness.
- Correct time: Send your message at correct time. All messages must be transmitted and responded to at the proper time. Outdated information is a waste of time and efforts.
- Correct language: The letter should be correct from the language point of view. It means that the writer should be careful in spellings, grammar and other aspects of language.
- Correctness of format: The writer of the letter should be careful about the format of letter. It means all the parts of the business letter should be placed properly.

Clarity: A letter must have clarity. The underlying message should be expressed in clear terms. Care should be taken to avoid ambiguity. The purpose of communication should be made clear. Whether it is to inform, invite, reiterate, emphasize, remind, announce, seek participation or clarity and correct the earlier message, the purpose should clearly be stated.



SHREE H. N. SHUKLA COLLEGE OF I.T. & MGMT.

(AFFILIATED TO SAURASHTRA UNIVERSITY)

3- Vaishalinagar
Nr. Amrapali Railway Crossing
Raiya Road, Rajkot – 360001
Ph. No–(0281)2471645

2 – Vaishalinagar
Nr. Amrapali Railway Crossing
Raiya Road, Rajkot - 360001
Ph.No–(0281)2440478, 2472590

If a letter writer is writing a letter on behalf of somebody else, it should be done after obtaining clear instructions. There are occasions when one may receive a letter informing the date and the venue of a meeting without an accompanying invitation or request to attend.

The reader or the receiver of the communication, in such an instance, will be in a dilemma. Is the invitation intended and implied but not specifically stated? Or is the letter just meant to be informative and no invitation is being extended? One way or the other, the message should be clear.

Conciseness/ Brevity: Any business will have to value the receiver's time. Brevity in letter writing, therefore, is a must. Long letters, whatever are their merits, are often kept aside for 'later reading'. Brevity in communication is also referred to as conciseness.

Conciseness refers to the skill of conveying what one wants to convey in the fewest possible words, without sacrificing completeness or courtesy. Conciseness eliminates unnecessary words and phrases, repetitive sentences and keeps the letter focused.

A good letter makes economical use of words. Brevity is a skill that a business communicator must develop. As people move up in an organizational hierarchy, their ability to condense messages into brief and focused letters counts for a lot.

Courtesy: Good writing style should also encompass politeness or courtesy. It should respect the reader as an individual. It should reflect the basic minimum courtesies that any transaction or relationship demands.

It should be appreciative and complimentary to the extent appropriate in the given context. Business letters, by and large, seek to strengthen the relationships that are good for the business when the occasion demands. The writer should not hesitate to apologize for omissions or errors.

Character: Here, character means individuality. A business letter should reflect the personality of the writer. Every person writes the business letter differently. This difference is due to the different personality. Each and every person selects words and phrases differently. To create a desirable impact on the reader's mind, the writer should make the letter avoid writing it in



SHREE H. N. SHUKLA COLLEGE OF I.T. & MGMT.

(AFFILIATED TO SAURASHTRA UNIVERSITY)

3- Vaishalinagar
Nr. Amrapali Railway Crossing
Raiya Road, Rajkot – 360001
Ph. No–(0281)2471645

2 – Vaishalinagar
Nr. Amrapali Railway Crossing
Raiya Road, Rajkot - 360001
Ph.No–(0281)2440478, 2472590

monotonous manner. The reader should understand the personality of the writer through the letter.

Cheerfulness/ Appeal: A good letter should appeal to the reader's sensibilities. It should go beyond the message it conveys and make a good impression. It should have elegance, which means taste, beauty and decency.

A good letter also ensures certain aesthetic appeal. No letter can be called elegant or aesthetically appealing if it does not give due attention to appearance. Mistakes and corrections, striking, overwriting, improper ink flow, unintended gaps and other such deficiencies rob an otherwise good letter of all its elegance.

A letter is appealing when it shows consideration. Consideration means thoughtfulness. It means keeping in mind the reader and putting oneself in the reader's shoes while writing the letter. Consideration means visualizing the reactions of the reader and accommodating them in the approach to the communication.

Concrete: Imagine a letter received from a departmental store announcing the opening of a new branch and seeking your patronage that does not give details of the new address or timings. Another requirement of a business letter is concreteness.

A communication is said to be concrete when it is specific, definite and to the point and not vague and generalized. Often the letters are so rambling in nature that one can imagine the reader screaming, 'Please come to the point and be specific.' A concrete letter does not ramble and is sharp and focused.

Coherent (Logical): Yet another requisite of an impact-creating letter is coherence. It is necessary to use words, phrases and clauses clearly, so as to form balanced sentences. Coherence seeks to establish a proper relationship and links sentences to make the intended message clear. Coherence brings consistency and orderliness to the encoded message.

A letter succeeds in creating the desired impact when it ensures purpose orientation, lays the right emphasis, establishes an appropriate wavelength and is coherent. Some of the common questions asked or statements made in relation to these attributes are:



SHREE H. N. SHUKLA COLLEGE OF I.T. & MGMT.

(AFFILIATED TO SAURASHTRA UNIVERSITY)

3- Vaishalinagar
Nr. Amrapali Railway Crossing
Raiya Road, Rajkot – 360001
Ph. No–(0281)2471645

2 – Vaishalinagar
Nr. Amrapali Railway Crossing
Raiya Road, Rajkot - 360001
Ph.No–(0281)2440478, 2472590

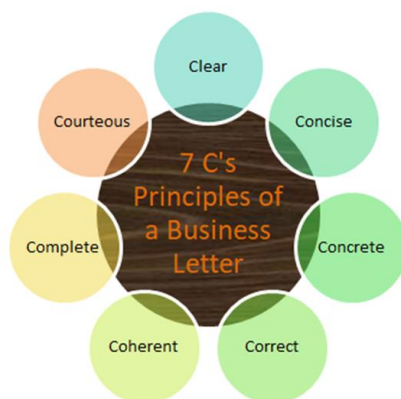
1. What is one trying to convey? (Purpose orientation)
2. Which of these is really urgent⁹ (Emphasis)
3. Is it too elementary or is it an overhead transmission? (Wavelength)
4. What is the sequence? (Coherence)

It is necessary to give due attention to these areas and build up skills so that the letters become impact-creating.

Complete: The principle of communication that we are referring to here is also known as adequacy or completeness. A communication can be said to be complete only when it contains all the facts and details which the receiver needs to know in order to respond or act on the basis of that communication.

Not giving all the required details leads to protracted correspondence, loss of customers or lack of response. Worse still, although non-submission of full details maybe due to an oversight or inadequate attention to details, the receiver may infer that there is a deliberate attempt to withhold or conceal facts and figures.

(You can also refer above points for 7C principles of a business letter)



Outward Appearance of a Business Letter

- Stationery: Business concerns should take extra care while selecting paper/ stationery, for the purpose of writing a business letter. The paper selected should be smooth, durable and



SHREE H. N. SHUKLA COLLEGE OF I.T. & MGMT.

(AFFILIATED TO SAURASHTRA UNIVERSITY)

3- Vaishalinagar
Nr. Amrapali Railway Crossing
Raiya Road, Rajkot – 360001
Ph. No–(0281)2471645

2 – Vaishalinagar
Nr. Amrapali Railway Crossing
Raiya Road, Rajkot - 360001
Ph.No–(0281)2440478, 2472590

white or light in color. Coarse and ruffled paper spoils the image of the firm. As business letters are to be filled and recorded for a longer period, the texture of the paper should also be of fine quality.

- Letterhead: A sheet of paper on which the firm's name and its full postal address are printed at top centre is known as letterhead. Letterhead also contain the symbol of the firm. Letterhead can be made attractive by limiting information to be conveyed. Letterheads are available in two popular size:
 - 1. The standard size - 8.5" x 11" is convenient for standard messages
 - 2. The smaller size - 5" x 8" for short messages
- Paragraphing: Paragraphing is not merely a matter of drafting. It is a matter of appearance too. Paragraphing enables us to divide the content of the letter into logical and readable units. A business letter has three paragraphs: Beginning, middle and closing. Although they are separate, they contribute to another. A business letter should give a unified impression to the reader.
- Typing : Usually personal letters are hand written. On the contrary, business letters are type written. Typing must be neat and even. A good business letter must be free from typing errors. Strikeovers, faint Ribbon impression, smearing and poor erasing reflect adversely on the firm. There are no hard and fast rules regarding spacing but it should look balanced. The typist should take care of proper punctuation marks and correct spellings.
- Margin: Proper spacing and margin is pleasing to see. The width of the margin depends on the size of the letter and the length of the content of letter. Generally margin of an inch and a half is kept on either side of the letter. Margin is also useful while filing the letter. It enables proper filing of the letter without any loss of the content.
- Folding: It is a common impression that folding of a letter is the least important aspect of letter writing. But folding requires special skill on the part of business letter writing. Generally two or three folds lengthwise and one or two folds breadthwise are advisable.
- Envelope: The envelop matches with the inside letter in terms of colour, quality and size. Envelopes are available in various sizes but the most popular among them are: [1] 3.5"x5.5" for single sheet letters and [2] 4.5"x10.5" for letters with more sheets. Window envelopes have transparent panel where the receiver's address is to be printed. This save the time and energy of the despatcher.



SHREE H. N. SHUKLA COLLEGE OF I.T. & MGMT.

(AFFILIATED TO SAURASHTRA UNIVERSITY)

3- Vaishalinagar
Nr. Amrapali Railway Crossing
Raiya Road, Rajkot – 360001
Ph. No–(0281)2471645

2 – Vaishalinagar
Nr. Amrapali Railway Crossing
Raiya Road, Rajkot - 360001
Ph.No–(0281)2440478, 2472590

YOU ATTITUDE:

- Because we are self-centered, we tend to see each situation from our own points of view. In *letter writing situations*, this attitude may lead us to a writer-oriented, we-view point approach-one that places emphasis on ourselves and our interests rather than on our readers and their interests.
- The **‘you attitude’ is writing style** that emphasizes readers rather than the writer. To write business letter we should not focus or put our self in the place of receivers. Their desires, problems, circumstances, emotions and probable reactions are to be taken into consideration. ***Business letter must be written from ‘you viewpoint’*** instead of ‘I or we viewpoint’. You viewpoint emphasize reader’s interest and help to win the reader’s mind and attention.
- For example:
 - **I or We attitude:** We are sure that our view discount policy will attractive to you.
You attitude: You will surely appreciate new discount policy.
 - **I or We attitude:** I am happy to hear that you have selected our firms.
You attitude: Thank you for giving us the opportunity to serve you.
 - **I or we Attitude:** I will give you 10% discount
You attitude: You can get 10% discount

Benefits of You attitude:

- Creation of friendly atmosphere
- Motivation the reader
- Establishment of mutual trust
- Can create favorable outcome even in a bad-news situation
- Accomplishment of the goal of the letter
- Enhance goodwill of the firm

Format of Layout of Business letters:

- Indented form
- Semi Block form
- Modified Block form
- Full Block form



SHREE H. N. SHUKLA COLLEGE OF I.T. & MGMT.

(AFFILIATED TO SAURASHTRA UNIVERSITY)

3- Vaishalinagar
Nr. Amrapali Railway Crossing
Raiya Road, Rajkot - 360001
Ph. No-(0281)2471645

2 - Vaishalinagar
Nr. Amrapali Railway Crossing
Raiya Road, Rajkot - 360001
Ph.No-(0281)2440478, 2472590

1. INDENTED FORM :

EXCEL INDUSTRIES
Manufacturer of Automobile Spares

Golden Plaza
Tagore Road
Rajkot - 360002
May 6, 2016

Messrs Kothari Brothers,
86, Avenue Street,
Vile Parle,
Mumbai - 53.

Dear Sirs,

This is the indented form, which is considered out-of-date in modern commercial correspondence. The inside address is indented and each paragraph begins five spaces away from the margin.

This form was popular when letters used to be hand written.

A business letter written in this style is not pleasant to our eyes. It consumes more time in indentions.

Yours faithfully,

2. SEMI BLOCK :

EXCEL INDUSTRIES
Manufacturer of Automobile Spares

Golden Plaza
Tagore Road
Rajkot - 360002
May 6, 2016

Messrs Kothari Brothers
86, Avenue Street
Vile Parle
Mumbai - 53

Dear Sirs,

The Semi block form, combines features of the indented and block forms.

The inside address is in block form, but the paragraphs are indented five spaces away from the margin. This form is not frequently used by business firms, as letters written in this form do not look attractive.

This form has become out dated with the advent (आग) of type-writers.

Yours faithfully,

The inside address is in single line without space from margin.

3. MODIFIED BLOCK FORM :

EXCEL INDUSTRIES
Manufacturer of Automobile Spares

Golden Plaza
Tagore Road
Rajkot
360002
May 6, 2016

Messrs Kothari Brothers
86, Avenue Street
Vile Parle
Mumbai - 53

Dear Sirs,

This is the modified block form and is in most common use today.

As most of the lines begin at the left hand margin, this form saves the time of the typist. There are no commas at the end of the lines of the inside address.

This form looks very neat in appearance. The Date Line appears on the right hand side. Complimentary close and signature also appear on the right hand side.

Yours faithfully,

4. FULL BLOCK FORM :

EXCEL INDUSTRIES
Manufacturer of Automobile Spares

Golden Plaza
Tagore Road
Rajkot
360002
May 6, 2016

Messrs Kothari Brothers
86, Avenue Street
Vile Parle
Mumbai - 53

Dear Sirs,

In this form every part of the letter, including date line, complimentary close, signature begins at the left hand margin.

As all lines begin at the left hand margin, it saves the time of the typist.

The only drawback (बाधा) of this form is this that sheet looks rather heavy on the left and rather blank (खाल) on the right.

Yours faithfully,

Note : In modern business communication, postal address of the firm (sender's address) is typed on the left hand side of the papersheet.



SHREE H. N. SHUKLA COLLEGE OF I.T. & MGMT.

(AFFILIATED TO SAURASHTRA UNIVERSITY)

3- Vaishalinagar
Nr. Amrapali Railway Crossing
Raiya Road, Rajkot – 360001
Ph. No–(0281)2471645

2 – Vaishalinagar
Nr. Amrapali Railway Crossing
Raiya Road, Rajkot - 360001
Ph.No–(0281)2440478, 2472590

UNIT 6 – PRACTICAL LETTER WRITING: LETTER OF INQUIRY AND REPLY

Write an inquiry letter for the purchase of home appliances from the wholesaler.

Answer:

Jaisons Home Appliances

Raiya Road

Rajkot - 230001

Telephone no. 0281 – 2456789

website: www.jaisons.in

12th September 2020

Tristar Home Products
101 D, Industrial Estate
Veraval

Dear Sir,

Re: Inquiry for home appliances

We would like to introduce ourselves as a reputed dealer of home appliances and other electronic items. Your company's name has been recommended by our business friend Gayatri Collections, Rajkot.

We are interested in purchasing home appliances manufactured by you. Please let us know the terms and conditions along with the prices of the following home appliances:

Tristar Microwave Oven	- 10
Tristar Juice Maker	- 20
Tristar Grinder	- 15
Tristar hand Blender	- 25

We expect considerable discounts as we wish to place a large order with you. We appreciate if you could send us the latest catalogue for our reference. We hope to hear from you soon.

Yours faithfully,

SHREE H.N. SHUKLA COLLEGE OF I.T. & MANAGEMENT

120

“SKY IS THE LIMIT”



SHREE H. N. SHUKLA COLLEGE OF I.T. & MGMT.

(AFFILIATED TO SAURASHTRA UNIVERSITY)

3- Vaishalinagar
Nr. Amrapali Railway Crossing
Raiya Road, Rajkot – 360001
Ph. No–(0281)2471645

2 – Vaishalinagar
Nr. Amrapali Railway Crossing
Raiya Road, Rajkot - 360001
Ph.No–(0281)2440478, 2472590

Girls Skirts - 15
Common nightwear - 15

We look forward to hear from you soon. Also expecting to have good business terms in future as well.

Yours Sincerely
Pari Garments

ManishaA.

Ms. Manisha Agrawal
(Store Incharge)

←—————→
Draft a letter of inquiry to ‘Anchor Electric Co.’ inquiring about the electronic products

Answer:

BHUSHAN ELECTRONICS

150 ft. Ring Road

Raiya Chowkdi

Rajkot – 360005

Contact No.: 0281 – 24566667

e-mail: bhushan@gmail.com

19th September 2020

Anchor Electric Co.
Industrial estate gate no.2
Surendranagar

Dear Sir,

Re.: Inquiry about the electric products

This is to bring to your notice that we would like to place an order with you for certain electric products and for that please send your lowest quotations for the following accessories:



SHREE H. N. SHUKLA COLLEGE OF I.T. & MGMT.

(AFFILIATED TO SAURASHTRA UNIVERSITY)

3- Vaishalinagar
Nr. Amrapali Railway Crossing
Raiya Road, Rajkot – 360001
Ph. No–(0281)2471645

2 – Vaishalinagar
Nr. Amrapali Railway Crossing
Raiya Road, Rajkot - 360001
Ph.No–(0281)2440478, 2472590

Sr. No.	Product	Quantity
1	Anchor boards & switches	100
2	Anchor fans	80
3	Anchor tubelights	100
4	Anchor bulbs	50

Please consider the following terms for the payment:

Mode of payment: Cash on Delivery

Delivery: within Fortnight

Kindly also provide us with your catalogue with the latest and competitive prices of your products.

We promise to place a large order with you if you quote us with most competitive prices. Please feel free to contact us for further clarifications if required.

We look forward to hear from you.

Yours faithfully

Nitin Shah

(Partner at Bhushan Electric Co.)

←—————→

Write an inquiry letter for hiring services of an internet service provider.

Answer:

TASK PLACEMENT CONSULTANCY

2/3 H Star Chambers

Harihar Chowk

Rajkot – 360003

Telephone No.: 0281 – 2445566

E-mail: taskplacement@gmail.com

14 October 2020

STAR INFOTECH

Gayatri Plaza

Satellite Road

SHREE H.N. SHUKLA COLLEGE OF I.T. & MANAGEMENT

123

“SKY IS THE LIMIT”



SHREE H. N. SHUKLA COLLEGE OF I.T. & MGMT.

(AFFILIATED TO SAURASHTRA UNIVERSITY)

3- Vaishalinagar
Nr. Amrapali Railway Crossing
Raiya Road, Rajkot – 360001
Ph. No–(0281)2471645

2 – Vaishalinagar
Nr. Amrapali Railway Crossing
Raiya Road, Rajkot - 360001
Ph.No–(0281)2440478, 2472590

Ahmedabad – 345001

Subject: Inquiry about Internet Services

Respected Sir,

We would like to introduce ourselves as a reputed placement consultancy provider of Rajkot. We provide feedback to different organizations enabling them to locate suitable candidates.

Keeping up with the pace of the demands of the information technology era, we have decided to expand our horizons to a larger section of society with the help of internet services. We would like to hire you for this purpose and hence we wish to inquire about the same.

We would like to know your charges for preparing the web pages and the content for our organization. If your terms and conditions are favourable, we shall give you yearly contract for the same. We look forward for an early reply informing us about your services and charges on which they can be made available to us.

Yours faithfully,

Neha Bhojani

Ms. Neha Bhojani

(Marketing Manager)

Task Placement Consultancy



Read the following assignment summary and draft a suitable letter:

Letter From: The Fashion House

Relief Road

Ahmedabad – 1

Letter To: The Beauty Products Ltd.

15 Bank Street

Bombay – 400001

Subject: Inquiry for cosmetics

Objective: To get the details about the beauty products and state the time of delivery and terms of payment.



SHREE H. N. SHUKLA COLLEGE OF I.T. & MGMT.

(AFFILIATED TO SAURASHTRA UNIVERSITY)

3- Vaishalinagar
Nr. Amrapali Railway Crossing
Raiya Road, Rajkot – 360001
Ph. No–(0281)2471645

2 – Vaishalinagar
Nr. Amrapali Railway Crossing
Raiya Road, Rajkot - 360001
Ph.No–(0281)2440478, 2472590

Answer:

**THE FASHION HOUSE
RELIEF ROAD
AHMEDABAD – 1**

Mo. No. +91 – 7865432101

E-mail:

thefashionhouse@gmail.com

14 October 2020

THE BEAUTY PRODUCTS LTD.

15 Bank Street

Bombay – 400001

Respected Ma'am,

Re.: Inquiry for cosmetics

We hope you remember “The Fashion House”, Ahmedabad who had previously ordered for your products. We really loved your products and would again like to place an order with you. Our customers appreciated your products and have been demanding again for it. Hence we would like to make an inquiry for few of your products. Here is the list of the products:

Sr. No.	Product	Quantity	Description
1	Lakme foundation	50	Foundation of most used shades
2	HudaBeauty Lipstick	Pink – 40 Brown – 30 Red – 30	General shades (pink, brown and red)
3	Maybelline Kajal	150	Dark shades
4	Lakme Concealer	50	General used products



SHREE H. N. SHUKLA COLLEGE OF I.T. & MGMT.

(AFFILIATED TO SAURASHTRA UNIVERSITY)

3- Vaishalinagar
Nr. Amrapali Railway Crossing
Raiya Road, Rajkot – 360001
Ph. No–(0281)2471645

2 – Vaishalinagar
Nr. Amrapali Railway Crossing
Raiya Road, Rajkot - 360001
Ph.No–(0281)2440478, 2472590

We expect this order to be delivered within a fortnight. We would like to make the payment using COD method. It would be highly appreciated if you can agree with our terms and deliver the required products. We look forward for your response.

Yours sincerely,

AartiKakkad

Ms. Aarti Kakkad

(Owner – The Fashion House)



REPLY LETTERS

Reply letters can be:

- ✚ Simple reply letters
- ✚ Quotation for specific order
- ✚ Delay in sending quotation
- ✚ Informing customers that their order cannot be granted
- ✚ Quotation with special terms

Format: (Sender's address and contact information, date, receiver's address, salutation, subject, [re.], body, complimentary close, signature, enclosures if any)

Reply to a letter of inquiry for hiring of a structural consultant

ORBIT CONTRACTOR & CO.

2, City Plaza

Satellite Road

Ahmedabad

Contact: +91-9988776655

website: www.orbitco.com

26th October 2020

Nasreen Builders Pvt. Ltd.



SHREE H. N. SHUKLA COLLEGE OF I.T. & MGMT.

(AFFILIATED TO SAURASHTRA UNIVERSITY)

3- Vaishalinagar
Nr. Amrapali Railway Crossing
Raiya Road, Rajkot – 360001
Ph. No–(0281)2471645

2 – Vaishalinagar
Nr. Amrapali Railway Crossing
Raiya Road, Rajkot - 360001
Ph.No–(0281)2440478, 2472590

Shauna Towers
Near Stock Exchange
Rajkot

Respected Sir,

Re.: Your letter of 15th October 2020

Thank you for your letter of 15th October 2020 showing us the willingness to hire our services. We are happy to inform you that we shall provide our services as desired by you.

Usually we charge 5% of the construction cost or repairing cost as our consultation fees. But keeping in mind the current scenario of the damages in business due to Covid -19, we have currently reduced it to 2%. We will not charge anything extra for issuing certificates for insurance claims.

Sarjan Consultants of Rajkot are our authorized representative in the city. If you need further clarifications, you can freely approach them. We look forward to receiving your final reply.

Yours faithfully

SajanR.

Sajan Ram

Partner (Orbit Contractor & Co.)



Submit quotation for various laptops and printers on behalf of Ankita Comtech. Clarify terms and conditions for payment, guarantee, warranty, and replacement. Assure for the best after sales services.

**ANKITA COMTECH
203, Golden Square
Kalawad Road
Rajkot**

Contact: +91-9988776655

e-mail: ankitacomtech@gmail.com



SHREE H. N. SHUKLA COLLEGE OF I.T. & MGMT.

(AFFILIATED TO SAURASHTRA UNIVERSITY)

3- Vaishalinagar
Nr. Amrapali Railway Crossing
Raiya Road, Rajkot – 360001
Ph. No–(0281)2471645

2 – Vaishalinagar
Nr. Amrapali Railway Crossing
Raiya Road, Rajkot - 360001
Ph.No–(0281)2440478, 2472590

26th October 2020

The Manager
Union Bank of India
Gondal Branch
Rajkot

Respected Sir,

Re: Quotation for laptops and printers

We thank you for your letter on 20th October 2020 asking us to submit the quotations for the supply of laptops and printers. Our prices and terms are as follows:

Sr. No.	Ref. No.	Description	Qty.	Price/unit
1	HCL 2013	HCL laptop	2	34,000
2	CM 2193	Compaq laptop	1	35,000
3	AC 3123	Acer laptop	3	25,000
4	HP 423	HP Laser printer	2	8,000
5	HP 308	HP combo printer	1	15,000

Terms & Conditions:

The prices are inclusive of taxes and transportation charges. We are also enclosing our latest price list for your reference. We would like to deal with you on COD basis. Keeping the current scenario in consideration, we are also accepting E-payments if COD is not possible. The goods carry one year warranty and guarantee of repairing/ replacing the goods if damaged within one year. We shall be providing best after –sales services on the predetermined time period.

We look forward to receiving your confirmation letter of order.

Yours faithfully

MilanK.

Milan Kothari

Partner-Ankita Comtech



SHREE H. N. SHUKLA COLLEGE OF I.T. & MGMT.

(AFFILIATED TO SAURASHTRA UNIVERSITY)

3- Vaishalinagar
Nr. Amrapali Railway Crossing
Raiya Road, Rajkot – 360001
Ph. No–(0281)2471645

2 – Vaishalinagar
Nr. Amrapali Railway Crossing
Raiya Road, Rajkot - 360001
Ph.No–(0281)2440478, 2472590

Encl.:Latest price list



Draft a reply letter conveying about the delay in sending a quotation for plastic tanks to Ramesh Stores, Dharmendra road, Rajkot – 360001

KWALITY PLASTICS LTD.

**210, Subhash Road
Mumbai – 400029**

Contact: +91-9090909090

e-mail: kwalitypalstics@gmail.com

27th October 2020

Ramesh Stores
Dharmendra Road
Rajkot – 360001

Respected Sir,

Re.: Delay in sending the quotation

Thank you for the inquiry about the prices and conditions of supply of plastic tanks.

We regret to inform that we are unable to quote immediately because of shortage of raw materials and therefore our production is slow. We are trying our level best to manage the raw materials from our suppliers. We will be in a position to send you the quotation only after we receive the fresh stock of raw materials.

We shall try to submit our quotation latest by 15th November 2020. Please bear with us for this delay.

Yours faithfully,

SHREE H.N. SHUKLA COLLEGE OF I.T. & MANAGEMENT

129

“SKY IS THE LIMIT”



SHREE H. N. SHUKLA COLLEGE OF I.T. & MGMT.

(AFFILIATED TO SAURASHTRA UNIVERSITY)

3- Vaishalinagar
Nr. Amrapali Railway Crossing
Raiya Road, Rajkot – 360001
Ph. No–(0281)2471645

2 – Vaishalinagar
Nr. Amrapali Railway Crossing
Raiya Road, Rajkot - 360001
Ph.No–(0281)2440478, 2472590

AmalH.

Amal Hegde

Secretary – Kwalitiy Plastics



Draft a reply letter mentioning that the order cannot be granted due to certain issue and that you can offer a substitute for the ordered product.

**R & G STORES
SADHUVASVANI ROAD
RAJKOT**

Contact No. 999988888

e-mail ID: r&gstores@gmail.com

24th November 2020

Mayur Garments
MG Road
Junagadh

Respected Sir,

Re.: Substitute offer for Raymond shirts order no. e-986

It is a pleasure to let you know that we are overwhelmed on receiving your order for the Raymond shirts. We apologize for not being able to execute your order as there is shortage of Raymond shirts' stock. Although we have placed an order for these shirts, we haven't received it yet. So here we offer an alternate brand of shirts which is of good quality linen fabric and has been accepted by many customers in the market.

We would like to offer 'Peter England' shirts to you instead of Raymond brand. Although their prices might differ a little, we assure you of the quality of these shirts. We are also sending you the catalogue of Peter England shirts in which you can refer the colors and prices for more convenience.

We request you to consider this substitute offer by us. We look forward to receiving your order soon.



SHREE H. N. SHUKLA COLLEGE OF I.T. & MGMT.

(AFFILIATED TO SAURASHTRA UNIVERSITY)

3- Vaishalinagar
Nr. Amrapali Railway Crossing
Raiya Road, Rajkot – 360001
Ph. No–(0281)2471645

2 – Vaishalinagar
Nr. Amrapali Railway Crossing
Raiya Road, Rajkot - 360001
Ph.No–(0281)2440478, 2472590

Yours sincerely

KiritP.

Kirit Padia
(Partner)

Encl.: Catalogue of Peter England shirts



On behalf of Marshal Electric Co., Dhanraj Complex, Relief Road, Ahmedabad, draft a reply letter mentioning quotation with special terms.

**MARSHAL ELECTRIC CO.
DHANRAJ COMPLEX
RELIEF ROAD
AHMEDABAD**

Contact No. 7766788998

website: www.marshal.in

24th November 2020

Gayatri Electricals
Dhebar Road
Rajkot

Respected Sir,

Re.: Quotation with special terms

Thank you for the order letter you had sent us for certain electrical products. It is a pleasure to let you know that we are offering certain special benefits exclusively for you as you are our valued customer.

As December month is approaching, we have planned for certain special Christmas offers for few of our valued customers. We are planning to give 5% discount on the purchase of any electric products and also giving a benefit of bulk purchase wherein if you place an order of 100 LED bulbs, you get an additional benefit of 10 extra LED bulbs.



SHREE H. N. SHUKLA COLLEGE OF I.T. & MGMT.

(AFFILIATED TO SAURASHTRA UNIVERSITY)

3- Vaishalinagar
Nr. Amrapali Railway Crossing
Raiya Road, Rajkot – 360001
Ph. No–(0281)2471645

2 – Vaishalinagar
Nr. Amrapali Railway Crossing
Raiya Road, Rajkot - 360001
Ph.No–(0281)2440478, 2472590

Sr. No.	Product	Offer
1	Smart TV	10% discount on purchase of 50 Smart Tv order
2	Bajaj Fans	Additional fan free with the purchase of 10 fans
3	Kelvinator Refrigerator	On purchase of 10 Fridge, 20% discount

We hope that you are really happy with this special terms exclusively for you. We look forward for your orders at the earliest.

Thanking You
Yours faithfully
SajanPatel.-
Mr. Sajan Patel
(Manager)





SHREE H. N. SHUKLA COLLEGE OF I.T. & MGMT.

(AFFILIATED TO SAURASHTRA UNIVERSITY)

3- Vaishalinagar
Nr. Amrapali Railway Crossing
Raiya Road, Rajkot – 360001
Ph. No–(0281)2471645

2 – Vaishalinagar
Nr. Amrapali Railway Crossing
Raiya Road, Rajkot - 360001
Ph.No–(0281)2440478, 2472590

UNIT 7 – LETTERS OF ORDER & EXECUTION

Order Letters

On behalf of B.K. Institute of Management, Navrangpura, Ahmedabad, draft an order letter for the supply of certain magazines, newspapers and journals to Mayur Agencies, Rajkot.

**BK INSTITUTE OF MANAGEMENT
NAVRANGPURA
AHMEDABAD**

Contact No. 77788665544

E-mail: bkmahmd@gmail.com

25th November 2020

Mayur Agencies
Kalawad Road
Rajkot

Dear Sir,

Re.: Supply of magazines, newspapers and journals

We thank you for quoting subscription rates of various newspapers, magazines and journals. We would like to again place and order with you for the following newspapers, magazines and journals:

Sr. No.	Names	Frequency	No. of copies
1	The Times of India	Daily	10 copies
2	The Economic Times	Daily	5 copies
3	Forbes India	Weekly	5 copies
4	The Reader's Digest	Weekly	5 copies
5	Journal of Management studies	Quarterly	3 copies



SHREE H. N. SHUKLA COLLEGE OF I.T. & MGMT.

(AFFILIATED TO SAURASHTRA UNIVERSITY)

3- Vaishalinagar
Nr. Amrapali Railway Crossing
Raiya Road, Rajkot – 360001
Ph. No–(0281)2471645

2 – Vaishalinagar
Nr. Amrapali Railway Crossing
Raiya Road, Rajkot - 360001
Ph.No–(0281)2440478, 2472590

6	Indian Journal of Medical Research	Weekly	3 copies
---	------------------------------------	--------	----------

We would like to inform you that it would be preferable if we receive our order by 30th November 2020 by 6:00 p.m. We are enclosing a crossed cheque No. CA 768654 for Rs. 15,000/- towards the subscription of the above mentioned newspapers, magazines and journals.

Please confirm the order and do the needful.

Yours faithfully
For BK Institute of Management
sd/- Mr. Kabir Khan
Director

Encl.: Cheque No. CA 768654 for Rs. 15,000/-

Draft a letter: Order for crockery items

Answer:

**PATEL GLASSWARE
KALAWAD ROAD
RAJKOT**

Contact No. 0281-24455665

e-mail: patelglassware@yahoo.in

25th November 2020

Saurashtra Glassware
Nr. Government Hospital
Bedi Road
Jamnagar

Dear Sir,



SHREE H. N. SHUKLA COLLEGE OF I.T. & MGMT.

(AFFILIATED TO SAURASHTRA UNIVERSITY)

3- Vaishalinagar
Nr. Amrapali Railway Crossing
Raiya Road, Rajkot – 360001
Ph. No–(0281)2471645

2 – Vaishalinagar
Nr. Amrapali Railway Crossing
Raiya Road, Rajkot - 360001
Ph.No–(0281)2440478, 2472590

Re.: Order for crockery items

We are happy with the products sent by you all these years and our customers have also appreciated the quality of the products. Hence we look forward to carry on our business with you and so we would like to place an order for the following crockery items:

Sr. No.	Product description	Quantity
1	Cup and saucers	50
2	Coffee Mugs	100
3	Water jars	80
4	Laopala Plates	25 sets each of 5 plates

We request you to take care about the packaging of these items as they are breakable. Hence, kindly handle with care during transportation. We shall make the payment through cheque once we receive the order. Kindly confirm before the dispatch of the above mentioned order through a phone call or an email.

We look forward for the safe delivery of the orders products.

Yours faithfully

For Patel Glassware

sd/- Ms. Rubina Patel

Owner

Place an order for purchase of salt with specific instructions.

ADANI FOOD PRODUCTS PVT. LTD

GALAXY COMPLEX

JAWAHAR ROAD

JETPUR

Contact No. 9977665533

e-mail: adanifoods@gmail.com

26th November 2020

Tata Chemicals

Mithapur



SHREE H. N. SHUKLA COLLEGE OF I.T. & MGMT.

(AFFILIATED TO SAURASHTRA UNIVERSITY)

3- Vaishalinagar
Nr. Amrapali Railway Crossing
Raiya Road, Rajkot – 360001
Ph. No–(0281)2471645

2 – Vaishalinagar
Nr. Amrapali Railway Crossing
Raiya Road, Rajkot - 360001
Ph.No–(0281)2440478, 2472590

Respected Sir,

Re.: Purchase of 'A' grade salt

We thank you for your letter mentioning the prices, terms and conditions regarding the supply of 'A' grade salt. We found your prices to be competitive and your terms to be favourable. We would like to place an order for one thousand ton of 'A' grade salt.

Due to the Covid situations, we would specifically request you to deliver our order through goods train as rail route is preferable over the roadways. another requirement is regarding the batches, we would prefer the quantity mentioned above to be delivered in four different batches each consisting of 250 tons of salt. We require the delivery of each batch of 250 tons at an interval of 15 days each. The first batch should reach us latest by 10th of December 2020.

We hope that you would be able to deliver us our order based on the above specifications. please confirm the order through email.

Yours faithfully

For Adani Food Products Pvt. Ltd.

sd/- Mr. Yatin Adani

Purchase Manager

Execution Letter

Draft a letter informing your customer that goods cannot be supplied at old prices.

OSWAL WOOLLEN PRODUCTS LTD.

PRAGATI NAGAR

JAIPUR

Contact No. 7766776677

email: oswal@yahoo.com

25th November 2020

JP Brothers

Royal Chambers

Morbi



SHREE H. N. SHUKLA COLLEGE OF I.T. & MGMT.

(AFFILIATED TO SAURASHTRA UNIVERSITY)

3- Vaishalinagar
Nr. Amrapali Railway Crossing
Raiya Road, Rajkot – 360001
Ph. No–(0281)2471645

2 – Vaishalinagar
Nr. Amrapali Railway Crossing
Raiya Road, Rajkot - 360001
Ph.No–(0281)2440478, 2472590

Respected Sir,

Re.: Revised prices for your last order

We received your order on 25th October 2020 for the supply of certain woolen clothes. But we regret to inform you that we are not in a position to deliver you the goods at the old prices due to the Covid situation.

The prices mentioned previously in our last catalogue which you had referred have been revised now as we were running into losses due to the current situation. So therefore we have increased the cost by 5% in order to keep up with the pace of the competitive market. We therefore request you to consider the new prices and rethink over the previous order.

Kindly let us know your decision after referring the new catalogue that has been enclosed with this letter. We would be highly obliged if you still continue with your order. Hope you understand the situation.

Yours faithfully,

For Oswal Woollen Products

sd/- Mr. JP Khanna

Sales Manager

Encl.: Catalogue of Revised prices

Draft a letter of acknowledgement of order for the supply of plastic chairs.

KWALITY PLASTIC LIMITED

Malad – (E)

Mumbai

Contact No. +91-7766556655

e-mail: kwalityplastic@gmail.com

30th November 2020

Regal Furniture

Dhebar Road

Rajkot



SHREE H. N. SHUKLA COLLEGE OF I.T. & MGMT.

(AFFILIATED TO SAURASHTRA UNIVERSITY)

3- Vaishalinagar
Nr. Amrapali Railway Crossing
Raiya Road, Rajkot – 360001
Ph. No–(0281)2471645

2 – Vaishalinagar
Nr. Amrapali Railway Crossing
Raiya Road, Rajkot - 360001
Ph.No–(0281)2440478, 2472590

Dear Sir,

Re.: Your order letter dated 25th November 2020

We thank you for the letter of 25th November 2020, placing an order for the supply of plastic chairs. Please confirm the order below:

Ref. No.	Description	Quantity
CHR – 3001	Classic White	100
CHR – 4003	Brown Royals	80
CHR – 4005	Elegant Gray	50

We have executed your order and sent the above mentioned chairs through Transport Corporation India and it will be delivered to you by 3 December 2020. The bill of Rs. 10,000 is also sent with it. Kindly make sure that you proceed with the payment as soon as you receive the goods. For your reference, we are also enclosing the copy of invoice.

Looking forward for future orders as well from you.

Yours faithfully

Gupta.

Mr. J.D. Gupta
(Sales Manager)

Encl.: Copy of invoice

Refuse to execute an order till such time the outstanding bill is paid off.

REGAL GLASSWARE

**Dev Nagar
New Delhi**

Contact no.: 8889988221

website: www.regalglassware.in

30th November 2020



SHREE H. N. SHUKLA COLLEGE OF I.T. & MGMT.

(AFFILIATED TO SAURASHTRA UNIVERSITY)

3- Vaishalinagar
Nr. Amrapali Railway Crossing
Raiya Road, Rajkot – 360001
Ph. No–(0281)2471645

2 – Vaishalinagar
Nr. Amrapali Railway Crossing
Raiya Road, Rajkot - 360001
Ph.No–(0281)2440478, 2472590

**Manish Traders
Gayatri Chambers
Amreli**

Respected Sir,

Re.: Payment of outstanding bill

We are really thankful to you for being our valued customer all these times. But as you know, every business has certain rules of functioning and so do we. We work on the conditions of strict payments and therefore we regret to inform you that we might not be able to execute your latest order until your last outstanding bill is paid off.

We also would like to remind you that the outstanding amount is Rs. 8000 for which we had delivered few crockery items to you. For us also, it is difficult to function without the payments from our customers. So kindly make the payment as soon as possible and then we shall execute your new order.

We look forward to receiving your payment either through cheque or cash.

Yours faithfully,
For Regal Glassware
sd/- Mr. JM Khanna
(Partner)

Avni Jewelers, Bhuj, have received an urgent order for specific types of jewelry items. But because the workers are on leave, they are not in a position to prepare the order in time. Draft a suitable reply on behalf of Avni Jewelers, Bhuj.

**AVNI JEWELERS
3-B PRAGATI COMPLEX
GAURAV PATH
BHUJ**

Contact No.: +91- 886655543

e-mail id: avnijewelers@yahoo.com

30th November 2020



SHREE H. N. SHUKLA COLLEGE OF I.T. & MGMT.

(AFFILIATED TO SAURASHTRA UNIVERSITY)

3- Vaishalinagar
Nr. Amrapali Railway Crossing
Raiya Road, Rajkot – 360001
Ph. No–(0281)2471645

2 – Vaishalinagar
Nr. Amrapali Railway Crossing
Raiya Road, Rajkot - 360001
Ph.No–(0281)2440478, 2472590

Radhika Jewelers
Station Road
Jetpur

Respected Sir,

Re.: Delay in executing the order

It has been a privilege to have a customer like you with us all these years, but we are sorry to inform you that for the first time, we won't be able to execute your order as per the time given to us.

As you know the current scenario of the pandemic times, our workers were sent back to their native place as we wanted to prevent the outbreak of Covid in our working place. The workers shall return back to work by 5th December 2020 and thereafter they shall start working on your order. We shall try our level best to deliver your order by 15th December 2020 but till then, kindly bear with us.

We request you to consider our situation and give us an extension till 15th December 2020. We hope you shall continue with this order and we are extremely sorry for the inconvenience.

Yours faithfully,
For Avni Jewelers
avnimalhotra.
Ms. Avni Malhotra
(In-charge)

☺ ALL THE BEST!! DO WELL!! ☺