VIDYA BHAWAN BALIKA VIDYA PITH

शक्ति उत्थान आश्रम लखीसराय बिहार

Class 11 commerce Sub. BST. Date 24.02.2021

Teacher name – Ajay Kumar Sharma

INTERNAL TRADE

International Business class 11 Notes Business Studies

Manufacturing and trading beyond the geographical boundaries of a country is known as international business. The development of communication, technology and infrastructure etc make it possible. New modes of communication and development of faster and more efficient means of transportation have brought nations closer to one another as a result of which trade between them can take place. Following are the main reasons behind international business.

1. Unequal distribution of natural resources and differences in the productivity levels of the countries make them incapable of producing every good of their requirement.

2. Labour productivity and production costs differ among nations due to socioeconomic, geographical and political reasons.

3. The availability of different factors of production such as labour, capital and raw materials differ among nations.

Concept of International Business

Major forms of business operations that constitute international business are as follows

1. Merchandise exports and imports. Merchandise exports means sending tangible goods abroad and merchandise imports means bringing tangible goods from abroad.

2. Exports and imports which involve trade in intangible items that cannot be seen or touched. It is also called invisible trade.

3. Another way of entering into international business is licensing and franchising country to produce and sell goods under their trademarks patents or copy light in lieu of some fee is called licensing Pepsi and Coca-Cola are produced & sold all over the world by local companies in foreign countries under licensing system. Franchising is similar to licensing, but it is used in connection with the provision of services. McDonalds operates fast food restaurants all over the world through the system of franchising.

4. Foreign investment is another important form of international business. It can be of two types: direct and portfolio investments. Direct investment takes place when a company directly invests in properties such as plant& machinery in foreign countries with a view-to undertake production and marketing of goods and services in those countries. It provides the investor a controlling interest in a foreign country. Under portfolio investment, a company makes investment by acquiring shares or providing loans to a foreign company & earns income by way of dividends or interest on toad. In this investor does not get directly involved in production or marketing of goods.

Benefits of International Business

International Business is important to both nations and business firms. It offers them various benefits.

Benefits to Nations:

1. It helps a country to earn foreign exchange which can be used for importing various goods from abroad.

2. It leads to specialization of a nation in the production of those goods which can be produced by it in the most effective and economical manner.

3. It helps a nation in improving its growth prospects and also create opportunities for employment.

4. It make it possible for people to consume goods and services produced in other countries which help in increasing their standard of living.

Benefits to Firms:

1. It helps in increasing profits of the firms by selling goods in the countries where prices are high.

2. It help firms in using their surplus production capacities and improving the profitability of their operations.

3. It help firms in improving their growth prospects.

4. It acts as one of the ways of achieving growth for firms facing tough market conditions in the domestic market.

5. It improves business vision as it makes firms more competitive, and diversified.

Difference Between Domestic and International Business

Basis	**Domestic Business**	**International Business**
1. Nationality of buyers and sellers	Both buyers and sellers belong to same country.	Buyers & Sellers and belong to different countries.

2. Mobility of sectors ofproduction	The factors of production like capital, labour and raw material can move freely within the country.	There are restrictions on free mobility of factors of production across countries.
3. Customer heterogeneity across market	Domestic market are relative more homogenous in nature.	International market lacks homogenity due to differences in languages, prefences customs etc. across market.
4. Currency used	Home currency is used in business.	Currency used in business in transactions is that of more than one country.
5. Political system	It has to face the political system and risk of only one country.	It is subjected to political system and risk of different countries.