

Business Cycles and Rate of Profit in Indian Manufacturing Industries : 1950-51 to 1977-78

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The cyclical fluctuations are found to be an ever present force in market economies based on free enterprise system. Practically no business concern can avoid being affected by business cycles or economic fluctuations, i.e., alternating periods of prosperity and depression. Though business cycles are entirely beyond the control of the manager of an individual business concern, a knowledge about their presence and the surrounding economic conditions may help the concern to avoid losses and to avail chances of making profits as much as possible.

Business cycles are influenced by both the endogenous and exogenous forces. Factors like capital formation, inventory accumulation, rate of interest, money supply, government activities to stabilize the economy through maintenance of level of output, employment, prices etc., (which are within the control of the economy) are endogenous factors, while, factors like wars, innovations, population changes, technological changes, etc., are exogenous factors.

I. IMPORTANCE OF THE STUDY

The period of business cycle varies from 2-3 years (Kitchin Cycles) to 10 years (Juglar Cycles), or, even upto 50 years (Kondratieff Cycles). However, the turning points of business cycles, viz., peak or trough, need not affect all the industries at the same time and with same intensity. A recovery or recession hits some sectors first and then spreads with cumulative effects.

The knowledge of business cycles enables the manager to face the peak and the following downward swing by holding down the inventories, reducing the plant and equipment expansion to the minimum, and extending the credit carefully. If the firm