

GOVERNMENT AND BUSINESS

BY THE END OF THE TOPIC, THE LEARNER SHOULD BE ABLE TO:

- i. Explain reasons for government involvement in business.
- ii. Explain how the government gets involved in business.
- iii. Discuss the merits and demerits of government involvement in business.
- iv. Discuss the importance of consumer protection.

Introduction

Government involvement in business activities is one of the commercial duties it owes its citizens. It is the one that provides the necessary environment for investments to be undertaken by itself, or by the local and foreign investors. This, the government may do in various ways, these include;

- a) Producing goods and services
- b) Distributing goods and services
- c) Advising producers and traders
- d) Promoting trade and economic development.
- e) Protecting consumers against exploitation by producers and traders.
- f) As a consumer of goods and services.

Reasons for Government involvement in business

The following are the major reasons for the government's involvement and participation in business activities;

- 1) **To prevent exploitation of the public by private business persons** especially in the provision of essential goods and services such as sugar, transport, communication etc. the **Kenya Bureau of standards (KEBS)** regulates the quality of goods consumed in Kenya.
- 2) **To provide essential goods and services** in areas where private individuals and organizations are unwilling to venture because of low profits/ high risks involved.
- 3) **To provide essential goods and services which private organizations and individuals are unable to provide due to the large amount of initial capital required** eg generation of electricity, establishment of airlines etc.
- 4) **To attract foreign investment** by initiating major business projects.
- 5) **To stimulate economic development in the country** eg by providing social services.
- 6) **To provide goods and services which are too sensitive to be left in the hands of the private sector** eg provision of firearms.
- 7) **To create employment opportunities by initiating projects** such as generation of electricity.
- 8) **To prevent foreign dominance of the economy** by investing in areas where the locals are not able to.

Disciplining yourself to do what you know is right and important, although difficult, is the road to pride, self esteem and personal satisfaction

- 9) To redistribute wealth where returns are very high.
- 10) To prevent establishment of monopolies.

METHODS OF GOVERNMENT INVOLVEMENT IN BUSINESS

The government gets involved in business activities through the following methods:

- (i) **Regulation**

This refers to Rules and

Disciplining yourself to do what you know is right and important, although difficult, is the road to pride, self esteem and personal satisfaction