

Marks: 40	FYJC Subject: Organisation of Commerce Topic –Business Environment (Chp. -7)	Time: 1.5 Hrs.
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Q.1. Fill in the blanks (3 Marks)

- Changes in ruling government is an aspect of **Political** environment.
a) Political b) Technological c) economic
- Globalization is concerned with **Global** market.
a) Global b) Local c) rural
- Environment awareness provides **Warning** signal.
a) Warning b) alarming c) soft

Q.2. Give one word. (4 Marks)

- A boundary less world where there would be free flow of goods, services, information, capital and people across nation.

Ans. Globalization

- The process of transferring ownership of business enterprise, agency or public service from the public service to private sector.

Ans. Privatization

- The environment of business that includes customs and traditions, values, social trends.

Ans. Social Environment

- Uncontrollable factors of the business environment.

Ans. External business environment

Q.3. State True or False. (3 Marks)

- External factors of business environment are controllable factors.

Ans. False

- There is no benefit of globalization on Indian economy.

Ans. False

- There is no need of consideration of the business environment factors in business.

Ans. False

Q.4. Explain the terms. (Any 3) (6 Marks)

- Business environment

Ans. (1) Business environment refers to sum total of all such factors which affect business. They are the strength, weaknesses, internal power, relationship and orientations of the organisation, government policies and regulations, nature of the economy and economic conditions, socio cultural factors, demographic

trends, natural factors and global trends. Usually, the term business environment refers to the external environment which includes factors outside the business leading to opportunities or threats of the business.

- (2) According to Bayard O. Wheeler, "the total of all things external to the firm and industries which affect their organisation and operations is called Business Environment."

In brief, business environment include threats to the business (firm) and offers opportunities for potential market including several factors. So, we can say that business environment consists of internal as well as external factors which include threats to the firm as well as they give opportunities to exploit.

2. Economic environment

Ans. (1) Introduction: Economic environment has direct and most significant influence on the business. The survival, growth and success of business organisation entirely depends on economic environment.

- (2) **Meaning:** The economic environment mainly consists of economic condition, economic policies and economic system. The basic economic philosophy, infrastructure, national income. money supply, saving stages in economic development and trade cycles are also considered as major factors which make up the total economic environment.

- (3) **Important factors:** Some important factors of economic environment are:

(a) **Economic condition:** The working of business is greatly influenced by the economic conditions prevailing in the nation. It depends on the gross domestic product, per capita income. availability of capital, growth of foreign trade and strength of capital market.

(b) **Economic policies:** Economic policies play a significant role in determining the economic environment of business. All business activities are directly affected by economic policies framed by the government from time to time. As per the requirement and need of development, the government changes these policies. The economic policies include industrial policy, monetary policy. foreign investment policy, export-import policy. agricultural policy, education policy, etc. Every business organisation must function within the framework of the policy and respond to the changes therein.

(c) **Economic system:** The nature of economic system determines the scope of private sector enterprises and lite extent of government regulation of economic activities. Economic system is mainly of three types i.e. capitalist economy, socialist economy and mixed economy.

(i) **Capitalist economy:** The capitalist economy also called free market economy, gives freedom to individuals to own assets and buy and sell anything, e.g. U.S.A.

(ii) **Socialist economy:** It is an economic system in which all the factors of productions are owned, organised and managed by the government. 11 docs not involve an equal division of existing wealth among the people, e.g. China.

(iii) **Mixed economy:** In this economic system. Factors of production are jointly owned by government and private individuals, e.g. India.

3. Political environment

- Ans. (1) Introduction:** All the business firms are greatly influenced by the government and its policies. Political forces determine the scope and nature of business, programmes and projects proposed to be undertaken for the development of the nation.
- (2) Meaning:** Political environment refers to the country's political system which makes huge impact on the business organisations.
- (3) Impact on the business:** Political stability encourages and gives confidence to various groups and investors to invest in long-term projects. Similarly, ideology of the political parties and the attitude of the government officials towards business may create positive or negative impact on the business.
- (4) Vital Institutions:** India is the democratic-country. Indian political system consists of three important institutions such as Legislature. Government and Judiciary.
- (a) Legislature:** Legislature is powerful institution. The powers like policy-making, law-making. budget approving, executing control, etc. are with the legislature.
- (b) Government:** Business organisations should know various responsibilities of the government towards business. Government policies always influence the business organisations. Hence, government should frame proper policies for the business organisations.
- (c) Judiciary:** Judiciary determines the manner in which the work of executives has been carried out. It regulates the relationship between the citizens and between citizens and the government.

4. Social environment

- Ans. (1) Introduction:** The social approach is more important for business practices to deal with it. The modern business is a social system in itself. It is a part of the social system represented by society in general. Some reciprocal relationship should be developed between business and society. In brief, the business should adjust itself to the social environment.
- (2) Meaning:** The social environment is concerned with the composition, structure and characteristics of the society. Social environment of business consists of class structure of the society which explains about the social role and organisations and development of social institutions. Class structure of the society depends upon different factors such as occupation, education, income level, social status, attitude towards living, work and social relationship, their attitude towards business. The culture includes customs, traditions, values, ethics, beliefs, social trends, poverty, literacy, life expectancy rate, etc.
- (3) Accepted behaviour patterns:** The other accepted behaviour patterns are:
- (a) Social aspect:** Some of the important aspects of social environment are literacy level, educational system, cultural heritage, standard of living and mobility of labour.
- (b) Social trends:** Social trends are fast changing in India. Urban population in India is more inclined towards health and fitness products. In view of these trends, gymnasiums (gyms), fast food outlets, readymade garments outlets are emerging and flourishing in various urban and semi-urban cities.

- (c) **Social values:** Social values relied on customs, ethics, belief enable the business to fulfil the demand according to the customer needs e.g. home budget system is not accepted in rural area due to customs.
- (d) **Traditions:** Traditions imply specific custom or practice of long standing. Traditions also affect the business, e.g. celebration of Diwali. Christmas. Eid and other festivals in India.

5. Internal environment

Ans. (1) Introduction: The factors such as personnel, physical facilities, organisation and functional, etc. are called internal factors.

(2) **Meaning:** The policies decided by the shareholders, managers, labour unions and the employees are known as Internal Environmental factors. The internal environmental factors can be controlled by the business organisations.

(3) **Factors of internal environment:**

(a) **Value system:** The value system of the founder (promoter) and top management has important effects on the choice of business. Value system is the most important factor for the success of a business.

(b) **Vision, Mission and Objectives:** The important areas of the business of the company. priorities direction of development, business philosophy and business policy, etc. are properly guided by the vision, mission and aims of business.

(c) **Management Structure and Nature:** The composition of Board of Directors, extent of professionalism of management, etc. are also important factors that affect the business decisions.

(d) **Internal Power Relationship:** The support of the Top management officials to the employees at different levels, shareholders and Board of Directors have important effect on the decision and their implementation. Another critical factor is the relation between the members of the Board of Directors and chief executives.

(e) **Human Resources:** The salient feature human resources such as skill, quality, commitment, attitude, etc. contribute to strength and weakness of an organisation.

(4) **Other factors:**

(a) **Physical assets and facilities:** The factors like production capacity, technology and efficient distribution logistics influence the competitiveness

(b) **Marketing Resources:** Quality of marketing, brand equality and distribution network have direct effect on business.

(c) **Financial factors:** Financial factors such as financial policies, financial position and structure also influence the business performances, strategies and decisions.

Q.5. Justify the following statements. (Any 2)

(4 Marks)

1. **Social trends provide business opportunities.**

Ans. (1) Social trends imply general tendency or direction of the people in a society which are changing very fast. Social trends provide various opportunities as well as threats to business enterprises, e.g. nowadays health and fitness trend has become more popular among the people living in urban and semi-urban areas.

- (2) Nowadays people in large numbers are demanding products like gymnasiums equipment, diet drinks, organic food, sugar free food products, etc. Due to this social trends fast food outlets and gymnasiums are coming up in urban and semi-urban areas.
- (3) This social trend provides threats to the business in oilier industries such as tobacco products (e.g. cigarettes, pan masala. gutkha. etc.). liquor, etc.
- (4) Thus, business organisations have to respect the social trends and social norms and avoid activities like adulteration, charging high prices, inferior quality products, unfair trade practices, etc. It is necessary for its survival and growth.

2. Economic environment has direct influence on business.

- Ans.** (1) Economic environment has direct and most significant influence on the business. The survival and success of the business firm fully depend on economic environment. The economic environment mainly consists of: (i) economic conditions, (ii) economic policies and (iii) economic system. These factors have an impact on the business organisations. Business organisation is called "economic institution." A businessman has to consider and visualise the various factors which may affect the business and make suitable plans accordingly.
- (2) Economic conditions determine the potential of the economic development of the country. The working of business is greatly influenced by the economic conditions prevailing in the country. The economic policies play a significant role in determining the economic environment of the business. These policies are framed to guide economic activities.
 - (3) All business activities are directly affected by the economic policies framed by the government from time to time. Many times Government changes these policies keeping in view of the development. Every business organisation must work within the policy framework and respond to the change therein. The scope of business enterprises in private sector and extent of government regulation of economic activities depend on the nature economic system.
 - (4) Interest rates, inflation, changes in disposable income of people, the value of rupee, etc. are the economic factors that can influence a business enterprise. Banking sector also plays important role in economic environment which in turn influences the business enterprises.

3. Political Stability builds up confidence among business people.

- Ans.** (1) Political environment includes the country's political system or conditions. It indicates the general stability and peace in the nation and attitude of the elected government representatives towards business. All business organisations are greatly influenced by the government and its policies. Political forces decide the nature of business, projects and programmes to be undertaken for development of the nation.
- (2) Political stability builds up confidence among the investors and business community to make investment in long-term projects for the growth and development of the economy.
 - (3) When there is stability and peace in the country the government gets ample scope and freedom to play an active role of planner, promoter and regulator of

various projects and country's economic activities. This in turn builds up the confidence among investors and business people.

- (4) Most government decisions related to business are based on political considerations in line with the political philosophy followed by the ruling party at the centre and the state. Stable political system facilitates the proper implementation of the decisions taken by the ruling political party. India is a democratic country. It has adopted mixed economy. It has a stable political system.

4. Business firm should be aware of the changes in society.

- Ans.** (1) A business unit cannot work in isolation. It functions within a whole process of relevant environment and negotiates its way through it. Business survives and grows on the support of the society.
- (2) The business must continuously monitor and adapt to the environment and changes in the society for its survival and growth. Disturbances in environment i.e. changes in society may either bring threats or open new opportunities for a firm. Business firm has to identify, appraise and respond to the various opportunities and threats in its environment.
- (3) The success of every business depends on adapting itself to the changes that take place in the society (environment) within which it functions. It helps the business enterprises to overcome challenges successfully. Changes in the society help to identify the individual strength and weakness in view of the technological and global development.
- (4) All business firms are affected by the changes in society. By considering the changes in the society i.e. change in taste and preferences of the consumers, change in fashion and life style. Change in policies of the government, change in social trends, etc. business firms are required to make changes in its business. Today's market is customer-oriented, so whatever is preferred and demanded by the customers, business firms have to produce and sell.

5. External factors of business environment are beyond control.

- Ans.** (1) Environmental factors such as social customs, traditions, values, economic policies of the government, economic forces in the market, technological development in the manufacturing process, political ups and downs, and so on are external to a business unit. These factors are called external factors of business environment.
- (2) The external factors of business environment influence the working of the business units in an economy. They include factors outside the business leading to opportunities or threats of the business. They cannot be modified or altered to suit the organisation.
- (4) The external factors are also known as uncontrollable factors because the business unit/ organisation has no control over them. However, internal factors such as plans, policies, etc. are controllable and can be modified or altered to suit the organisation.

Q.6. Distinguish between. (Any - 2)

(10 Marks)

1. Privatization and Globalization

Ans.

Privatization	Globalization
1. Meaning	
Privatisation means to reduce the involvement of public sector by involving the private sector in economic activities.	Globalisation means integration of national economy and societies through free flow of information, ideas, technologies, goods, services. etc. It means linking national economy to the world economy.
2. Purposes	
The purpose of privatisation is: (1) to reduce the inefficiency, losses, increasing pressure and economic burden of the government sector (2) to make the optimum use of available resources for productive purpose (3) to increase competition in the economy and (4) to achieve economic progress.	The purpose of globalisation is; (1) to strengthen the economy to acquire entry in the global market (2) to create global competitiveness and (3) to reap the benefits of interdependence.
3. Measures	
Selling the shares of the public sector enterprises to private individuals and institutions through the policy of disinvestment, transferring the ownership and possession of some public sector undertakings to the private (sector) entrepreneurs, etc. are the measures adopted in the process of privatisation.	Acquiring the membership of WTO, eliminating trade barriers, relaxing the FERA regulations. Providing tax concessions and other incentives to the foreign investments, etc. are the measures adopted in the process of globalisation.
4. Nature of activities	
In privatisation, the management, control, ownership and possession of the public sector enterprises are transferred from the government to the private institutions, individuals and entrepreneurs.	In globalisation, business activities are conducted throughout the world. By granting autonomy (financial freedom), growth in trading activities, foreign direct investment is accelerated.
5. Consequences	
Privatisation stimulates the activities and scope of private sector in the economy. As a result, the speed of economic development accelerates rapidly.	Globalisation facilitates the transfer of resources, capital, goods, services and expansion of market and optimum use of resources. Advanced technology and valuable foreign exchange are made available to developing countries.

2. Globalization and Liberalization

Ans.

Globalization	Liberalization
1. Meaning	
Globalisation means integration of national economy — and societies through free flow of information, ideas, technologies, goods, services, etc. It means linking national economy to the world economy.	Liberalisation refers to the removal of or eliminating undue restrictions and bureaucratic controls for smooth functioning of different business activities
2. Purposes	
The purpose of globalisation is: (1) to strengthen the economy to acquire entry in the global market (2) to create global competitiveness and (3) to reap the benefits of competitiveness and interdependence.	The purpose of liberalisation is: (1) to abolish unnecessary restrictions and controls (2) to encourage the private sector and (3) to accelerate the speed of economic development.
3. Nature of activities	
In globalisation, business activities are conducted throughout the world. By granting autonomy (financial freedom) growth in trading activities, foreign direct investment is accelerated.	In the liberalisation, autonomy is granted on the larger proportion to the multinational companies and private sector enterprises to expand the business activities in the economy.
4. Measures	
Acquiring the membership of WTO, relaxing the FERA regulations, providing tax concessions and other incentives to the foreign investments, etc. are some of the measures adopted in the process of globalisation.	Abolishing industrial licences, scrapping the MRTP limit, reducing the rate of export and import duties and the rate of corporate tax, increasing the limit of foreign investments are the measures adopted in the process of liberalisation.
5. Consequences	
Globalisation facilitates the transfer of resources, capital, goods, services and expansion of market and optimum use of resources. Advanced technology and valuable foreign exchange are made available to developing countries	Liberalisation measures reduce the unnecessary restrictions, hurdles and controls in the process of development of various sectors of the economy. As a result the speed of economic development increases rapidly.

3. Liberalization and Privatization

Ans.

Liberalization	Privatization
1. Meaning	
Liberalisation is described as the process of eliminating unnecessary controls and restrictions for smooth functioning of business.	Privatisation means to reduce the involvement of public sector by involving private sector in economic activities.
2. Purposes	
The main purpose of liberalisation is : (1) to abolish unnecessary restrictions and controls which create hurdles in the process of development (2) to encourage the private sector to undertake more economic activities and (3) to increase the speed of economic development.	The main purpose of privatisation is: (1) to reduce the inefficiency, losses, increasing pressure and economic burden of the government sector (2) to make the optimum use of available resources for productive purpose (3) to increase competition in the economy and (4) to achieve economic progress.
3. Measures	
Abolishing industrial licences, scrapping the MRTP limit, reducing the rate of export and import duties and the rate of corporate tax, increasing the limit of foreign direct investments, relaxing the provisions of the Foreign Exchange Regulation Act (FERA). etc. are the measures adopted in the process of liberalisation.	Selling the shares of the public sector enterprises to private individuals and institutions through the policy of disinvestment, transferring the ownership and possession of some public sector undertakings to the private entrepreneurs, etc. are the measures adopted in the process of privatisation.
4. Consequences	
Liberalisation increases the speed of economic development rapidly.	Privatisation stimulates the activities and scope of private sector in the economy.
5. Nature of activities	
In the liberalisation, autonomy is granted on the larger proportion to the multinational companies and private sector enterprises to expand the business activities.	In the privatisation, the management, control, ownership and possession of the public sector enterprises are transferred from the government to the private institutions, individuals and entrepreneurs.

4. Political environment and Legal environment

Ans.

Political environment	Legal environment
1. Meaning	
Political environment refers to the country's political system, political parties and government agencies which make impact on business organisations.	Legal environment means laws and various legislations, government administration, rules, regulations, court judgements, etc. that have an impact on the working of the business.
2. Coverage	
Political environment includes the country's political systems or conditions. It indicates the general stability and peace in the country and attitude of the government towards business.	Legal and regulatory environment consists of the framework of laws, regulations and court judgements which guide and control the business activities on the different levels.
3. Net result	
Political environment is the result of political system, constitutional provisions, party system and the political events taking place in the country.	Legal and regulatory environment is the result of various, laws, rules, regulations and procedures framed by the government regarding the formation and operation of the business.
4. Objectives	
The various objectives of political environment are to have some control on business activities, provide incentives, encourage business and promote them to act in a particular way for achieving planned objectives.	The various objectives of legal and regulatory environment are to avoid industrial accidents, pollution of all kind (air, water and sound), social justice and protect and preserve the ecological balance.
5. Example	
An example of impact of political environment on business is that major I.T. companies have concentrated in Bangalore and Hyderabad due to supportive political climate of the respective state government.	An example of impact of the legal environment is that adoption of prohibition Act by many states in India for gutka (tobacco) ban.
6. Priority	
Business organisation can consider various aspects of political environment only after they have considered legal environment prevailing in the country. Thus, political environment gets second priority after legal environment	Every business organisation has to give first priority to legal environment prevailing in the country. Thus, legal environment gets priority over political environment.

5. Social environment and Economic environment

Ans.

Social environment	Economic environment
1. Meaning	
Social environment of business consists of class structure of society which explains about the social role, organisations and development of social institution.	The economic environment mainly consists of economic condition, economic policies and economic system. The basic economic philosophy, infrastructure, national income, etc. are the factors that make up the economic environment.
2. Important Aspects	
Important aspects of social environment are: customs, traditions, values, ethics, beliefs social trends, poverty, literacy, and life expectancy rate, etc.	Important aspects of economic environment are: basic economic philosophy, infrastructure, national income, money supply, saving trade cycles in economic development.
3. Influence on business	
Social environment creates and exercises indirect and comparatively smaller influence on the business because business is not a social institution.	Economic environment creates and exercises direct and significant influence on the business because business is an economic institution.
4. Involvement	
Social environment is concerned with the characteristics of the society in which the organisation or enterprise exists.	Economic environment is concerned with economic policy of the government and the economic system prevailing in the country.
5. Essential features	
Social reforms, changing attitudes and modernization are essential features of the social environment of a country.	Liberalisation Privatisation and Globalisation (LPG) are essential features of the economic of a country.
6. Priority	
Business organisation can consider the social environment only after considering the economic environment prevailing in the economy. Thus the social environment gets priority only after the economic environment.	Every business organisation has to consider first of all the economic environment prevailing in the country. Thus, the economic environment gets priority over the social environment.

Q.7. Short notes (Any - 2)**(10 Marks)**

1 Importance of business Environment

Ans. Importance:

- (1) **Determining opportunities and threats:** Business environment helps to identify opportunities and threats to business. Proper study of the environmental factors helps the business units to plan suitable strategies to tap business opportunities. It also helps the business enterprises to overcome problems, threats and challenges successfully.
- (2) **Identifying firm's strength and weakness:** Proper analysis of business environment helps to identify the individual strength and weakness of the business organisation in view of the latest technological and global development.
- (3) **Continuous learning:** Environmental analysis provides scope for continuous learning to managers and makes their task easier in dealing with business challenges. The managers are motivated continuously to update their knowledge, understanding skill to meet the changes in different areas of business.
- (4) **Image building:** Knowledge of the environmental changes helps the business organisation in improving their images by showing their sensitivity to the environment within which they are functioning. In this respect, business organisations are required to meet the expectations of consumers, government, employees, etc.
- (5) **Meeting competition:** Proper analysis of business environment helps the organization to understand and analyse the strategies of the competitors. The business organisations formulate their own strategies to face competition successfully.
- (6) **Giving direction for growth:** the interaction between business and its environment leads to opening up new areas of growth and expansion of activities in the organisations.

2. Internal Factors of business Environment

Ans. (1) Introduction: The factors such as personnel, physical facilities, organisation and functional, etc. are called internal factors.**(2) Meaning:** The policies decided by the shareholders, managers, labour unions and the employees are known as Internal Environmental factors. The internal environmental factors can be controlled by the business organisations.**(3) Factors of internal environment:****(a) Value system:** The value system of the founder (promoter) and top management has important effects on the choice of business. Value system is the most important factor for the success of a business.**(b) Vision, Mission and Objectives:** The Important areas of the business of the company. Priorities direction of development, business philosophy and business policy, etc. are properly guided by the vision, mission and aims of business.

- (c) **Management Structure and Nature:** The composition of Board of Directors, extent of professionalism of management, etc. are also important factors that affect the business decisions.
- (d) **Internal Power Relationship:** The support of the Top management officials to the employees at different levels, shareholders and Board of Directors have important effect on the decision and their implementation. Another critical factor is the relation between the members of the Board of Directors and chief executives.

3. Economic Environment

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(3) **Important factors:** Some important factors of economic environment are :

(a) **Economic condition:** The working of business is greatly influenced by the economic conditions prevailing in the nation. It depends on the gross domestic product, per capita income, availability of capital, growth of foreign trade and strength of capital market.

(b) **Economic policies:** Economic policies play a significant role in determining the economic environment of business. All business activities are directly affected by economic policies framed by the government from time to time. As per the requirement and need of development, the government changes these policies. The economic policies include industrial policy, monetary policy, foreign investment policy, export-import policy, Agricultural policy, education policy, etc. Every business organisation must function within the framework of the policy and respond to the changes therein.

(c) **Economic system:** The nature of economic system determines the scope of private sector enterprises and the extent of government regulation of economic activities. Economic system is mainly of three types i.e. capitalist economy, socialist economy and mixed economy.

(i) **Capitalist economy:** The capitalist economy also called free market economy, gives freedom to individuals to own assets and buy and sell anything, e.g. U.S.A.

(ii) **Socialist economy:** It is an economic system in which all the factors of production are owned, organised and managed by the government. It does not involve an equal division of existing wealth among the people, e.g. China.

(iii) **Mixed economy:** In this economic system, factors of production are jointly owned by government and private individuals, e.g. India.

4. New Economic policy and business

Ans. (1) Introduction: Due to failure of industrial policy, after the independence, the government of India had launched the New Economic Policy on 24th July, 1991 known as Liberalisation. Privatisation and Globalisation (LPG policy)

(2) Liberalisation:

Meaning: Liberalisation refers to process of removing rigid, bureaucratic and unnecessary controls and restrictions for smooth functioning and growth of business. The policy of liberalisation helps the Indian economy to interact with the world in a large way. It has resulted in entry of foreign firms in India, difficult competition and increased efficiency.

Inclusion: Liberalisation includes the following:

(1) Abolition of industrial licensing system which was existing since Independence. (2) Reduction in physical restrictions on imports of goods and import duties. (3) Reformation of financial system. (4) Reduction in various taxations. (5) Minimising the controls on foreign exchange. (6) Changing the approach towards industrial sickness. (7) Giving freedom to decide the scale of business activities. (8) Reducing the restrictions to attract foreign investment. (9) Giving freedom in fixing prices of goods and services. (10) Opening of basic telecommunication sectors.

Positive impact: Liberalisation resulted in achieving a high growth rate, easy availability of goods and services at competitive rate, increase in foreign exchange reserves, strong rupee and good industrial relation.

(3) Privatisation :

Meaning: Privatisation means reduction in the involvement of state or public sector and increase in the involvement of private sector. In other words, privatisation implies many government sectors are closed, sold and given to private individuals to organise, manage and run.

Need for privatisation :

(a) More efficiency: Privatisation results in more efficiency and better performance.

(b) Less political interference: In private sector organisations, there is less political interference.

(c) Reduction in labour problem: Privatisation of public sector units helps to overcome all the labour and personnel problems.

(d) Ensuring accountability: The greater accountability of private sector organisations results in more efficient performance.

(e) Capital market discipline: The activities of private sector enterprises in relation to finance bring prosperity, progress and discipline in the capital market.

Inclusion: The privatisation includes the following:

(1) Reduction in number of industries reserved for the public sector and introduction of selective competition in the reserved area. (2) Disinvestment of shares of selected public sector to raise resources and to encourage wider participation of general public and workers in the ownership of business. (3) Improvement in performance through Memorandum of Understanding (MoU).

Positive impact: Privatisation is considered as an effective tool for restructuring and reforming the public sector. Private sector is fundamentally self-motivated, profitable and ensured superior quality of products and services.

(4) Globalisation :

Meaning: Globalisation means integration of the national economy and societies with that of the world economy through exchange of information, ideas, technologies, goods, services, capital, finance and people. Thus, Globalisation implies 'boundaryless world'. In globalisation, all nations would be interdependent which leads to better interactions regarding improvements in the world economy.

Inclusion: Globalisation includes the following:

- (1) Removing anti export business tendency.
- (2) Removing or minimising very high import tariff barriers (obstacles)
- (3) Reducing dependence on quantitative restrictions on imports.

Features:

- (a) **Freedom:** Globalisation offers freedom to entrepreneurs and traders to establish operate and conduct business in any part of the world.
- (b) **Free trade:** It permits anyone to buy goods and services from any part of the world and sell to any country.
- (c) **Reduces distance:** It reduces the distance between the domestic (local) market and international market.
- (d) **Direct foreign participation:** It helps to expand foreign direct investment and enables Indian companies to invest their funds in foreign countries.
- (e) **Transfer of technology:** It helps to exchange new ideas and technology across the world.

Positive impact: (1) Agreements in trade are entered between different countries of the world. (2) Spreading and expanding the market and economic policies around the world. (3) It has made boundaryless world by erasing geographical boundaries and made world as global village. (4) Customers think and consider only about the quality, price, design, value, etc. of the products and appeal. (5) It has created and made an economically interdependent international environment. (6) It has increased the trend towards globalisation of manufacturing and service sector.

5. Impact of new Economic policy on business.

- Ans.**
- (1) There is increase in the competition in various areas.
 - (2) Number of demanding customers increased.
 - (3) Technological environment has changed rapidly.
 - (4) There is necessity for change in every area.
 - (5) There is a need to develop human resource.
 - (6) Market has become customer-oriented.
 - (7) Budget support is discontinued by the government.
 - (8) Business organisation is required to take more efforts to survive.
 - (9) There is necessity of the expertise in different fields.