

Date :	FYJC	Duration: 1 Hr. 15 Min.
Marks : 30	Subject : Organisation of Commerce & Management Ch. 6. Business Environment	Set No. :

SOLUTION

Q.1. Select the correct answer from the possible options given below and rewrite the statement: (05)

1. Changes in the ruling government is an aspect of **Political** environment.
(a) Economic (b) Social (c) Political
2. Environment awareness provides **Warning** signal.
(a) Red (b) Yellow (c) Warning
3. The new industrial policy was formulated in **1991**.
(a) 1961 (b) 1981 (c) 1991
4. Globalization is concerned with **World** market.
(a) Regional (b) National (c) World
5. **Globalisation** means linking National Economy to the World Economy.
(a) Globalisation (b) Privatisation (c) Liberalisation

Q.2 Match the correct pairs: (03)

Group 'A'		Group 'B'	
1.	Globalization	a.	Internal economy
2.	Social environment	b.	External environment
3.	Factors beyond control	c.	Customs and Traditions
		d.	Free trade at international level
		e.	Delicensing
		f.	National economic relations

Ans: (1 - d); (2 - c); (3 - b)

Q.3. Write a word / term / phrase which can substitute each of the following statements: (02)

1. The business environment related to human relationship with a society.
Social environment
2. Discoveries or inventions in technology which creates an impact on the business organisation.
Technological environment

Q.4. Distinguish between Liberalisation and Privatisation. (05)

	Liberalization	Privatization
1) Meanings	Liberalization is described as deregulation. It refers to the removal of undue restrictions and elimination of bureaucratic control on the productive activities.	Privatization means inducing private ownership, management and control into public sector undertakings through disinvestment.
2) Purpose	The main purpose of liberalization is: (1) to abolish unnecessary restrictions and controls which create problems in the process of	The main purpose of privatization is: (1) to reduce the inefficiency, losses, increasing pressure and economic burden of the

	development (2) to encourage the private sector to undertake more economic activities (3) to increase the speed of economic Development with the co-operation of the private sector.	Government sector (2) to make the optimum use of available resources for productive purpose (3) to increase competition in the economy (4) to achieve economic progress.
3) Measures	Abolishing industrial licenses, scrapping the MRTP limit, reducing the rate of export and import duties and the rate of corporate tax, minimizing the lending rate, increasing the limit of foreign direct investments, loosening the provisions of the Foreign Exchange Regulation Act (FERA), etc. are the measures adopted in the process of liberalization.	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 privatization.
4) Consequences	Liberalization measures reduce the unnecessary restrictions, hurdles and controls in the process of development of various sectors of the economy. As a result, speed of economic development increases rapidly.	Privatization stimulates the activities and scope of private sector in the economy. The state enterprises are taken over by the private sector. As a result, the speed of economic development accelerates rapidly.
5) Nature of activities	In liberalization, autonomy is granted on the larger proportion to the multinational and private sector enterprises to expand the business activities in the economy.	In privatization, the management, control, ownership and possession of the public sector enterprises are transferred from the Government to the private sector institutions, individuals and entrepreneurs.

Or

Write a short note on Business Environment

Ans :- Meaning:

- (1) The word 'environment' is derived from the French word 'environ' which means to encircle or surround. The term 'business environment' means the sum total of all individuals, institutions and other forces that surround a business enterprise and affect its performance.
- (2) The word 'Environment' literally means the surroundings within which someone or something exists. It is like a climate or cultures, which surrounds us. Thus, the economic, social, political, technological and other forces which operate outside a business enterprise, are part of its environment.
- (3) Business environment consists of all those forces or factors both internal and external that affects the working of a business. The internal factors comprises of the firm's plans and policies, resources like manpower, capital, machines, etc. The external environment comprises of the micro factors such as customers, competitors, suppliers, etc., and the macro factors such as economic, social, political, technical and other factors.
- (4) Analysis of the internal environment helps a firm to identify its strengths and weaknesses and the analysis of external environment helps to identify opportunities and threats. Thus, environmental analysis helps to undertake the SWOT analysis i.e., strengths, weaknesses, opportunities and threats.

Q.5 State with reasons whether the following statements are True or False: (05)

1. Social Environment consists of factors related to the management of public affairs.

Ans. This statement is FALSE.

Reasons:

- (1) Environmental factors such as customs, traditions, values, social trends, society's expectations from the business, etc. which have an impact on the business are called social environment of business organization.
- (2) Social environment does not consist of factors related to the management of public affairs. It rather consists of the factors related to human relationships within a society.
- (3) Social environment of business organization exercises significant influence on business. It creates social consciousness among the people. The business practices and procedures must be in tune with the social beliefs.
- (4) Social environment of business organization basically affects the strategic management process within the organization in the areas of decisions related to products and markets. It is in no way concerned with the management of public affairs.
Thus, we see that social environment consists of various characteristics of the society in which the business organization exists.

2. Globalization is the expansion and extension of economic activities across the political boundaries of a country.

Ans. This statement is TRUE.

Reasons:

- (1) Globalization means integrating the economy of the country with the world economy through the increase in production, distribution, international trade, investment and capital flow.
- (2) Operationally, globalization means that a company which could earlier be successful by concentrating on manufacturing and distributing goods and services within its national boundaries can now expand its business all over the world.
- (3) Globalization breaks down economic barriers between the countries through reduction or withdrawal of customs duties, quotas, less restrictions on remittances abroad, etc. It means having the entire world as one market and adopting a global outlook in manufacturing, financing, marketing, human resource management and other fields.
- (4) Globalization process consists of production, investment, technology and market. It is a process of transforming national economy into a global economy.
Thus, globalization is the extension of economic activities across political boundaries of a country.

Q.6. Explain the impact of Government policy changes on business and industries. (10)

Ans.

- (a) The terms liberalization, privatization, and globalization (LPG) are now being increasingly used in the corporate world. Although, there is nothing new about these terms, these terms have gained prominence in the late 20th century in many parts of the world. In India, the terms LPG gained significance with the adoption of New Industrial Policy, 1991.
- (b) The policy of liberalization, privatization and globalization (LPG) of the Government has made a significant impact on the working of enterprises in business and industry.
- (c) Due to the changes in the Government policies, the corporate sector in India comes face-to-face with several challenges. India has been going through the process of economic reforms and liberalization. These reforms have taken place to modernize the country's industrial system by introducing and implementing new techniques, which are beneficial for the growth of an organization.

The impact of changes in the Government policy on business and industry are as follows:

- (1) **Increased Competition:** Competition for Indian firms has increased due to the changes in the rules of industrial licensing and entry of foreign firms specially in the service industries like insurance, banking, telecommunication airlines, etc., which were earlier in the public sector.

- (2) **Survival and Growth:** The new technologies and increased competition forces the organization to develop new ways to survive and grow in the market. The rapid changes in the technological environment creates tough challenges before smaller organizations.
- (3) **Earn Foreign Exchange:** The New Trade Policy has helped the Indian business firm to earn the foreign exchange required for importing raw material spares and components they needed for keeping their production lines going.
- (4) **Efficiency:** The Government over the last one and a half decades has reduced the finance to the public sector companies. This has forced the public sector companies to become more efficient and self-sufficient in order to effectively compete with the private sector.
- (5) **Modification in Operation:** Before 1991, the organizations had stable policies and practices. But after 1991, to survive in the market, the organizations are continuously modifying their operations.
- (6) **Market Oriented:** Earlier, the organization adopted production-oriented marketing operations. They used to produce first and go to the market to sell later. But due to the fast changing world, it now has become market oriented. Now they are studying and analyzing the market first and producing the goods later.
- (7) **Trained Personnel:** New technologies require expertise, in various fields. The new market conditions require people with higher competence and greater commitment. Hence there is a need for adequately trained personnel for developing human resources.
- (8) **Customer Oriented:** Today's market is customer oriented. The customers are well informed. Competition in the market gives the customer wider choice in purchasing good quality products, which sometimes makes customers more demanding.