

## Business Environment

### Short questions (3/ 4 Marks)

1. Difference between economic & non – economic environment.

Ans.. The economic environment consist of factor like the fiscal policy, the monetary policy , the industrial policy, the pace of the economic development etc. The non-economic environment refer to social, cultural, political, legal, technological factor etc.

2. State the features of the industrial policy 1991.

- a) The government reduced members of industries under compulsory licensing to six.
- b) Disinvestment was carried out in case of many public sectors industrial enterprises.
- c) Many of the industries reserved for the public sector under the earlier policy, were deserved.
- d) Automatic permission was now granted for technology agreements with foreign component.

3. What is truly globalised economy?

Ans.- A truly global economy implies a boundary less world where there is.

- i) Free flow of goods and services across nations.
- ii) Free flow of capital across nations.
- iii) Free flow of information and technology.
- iv) Free movement of people across border.
- v) A global governance perspective.

4. What is “liberalisation”? In which areas have liberalisation taken place.

Ans.:- Liberalization of economy means. to free it from direct or physical control imposed by the government. In other words, it is the process by which government control over the industry is being loosened. It implies liberating the trade and industry from unwanted government control and restriction.

Liberalization of the Indian industry has taken place with respect to:-

- a) Abolishing licensing requirements in most of the industries except a short list.
- b) Freedom in deciding the scale of business activities.
- c) Freedom in fixing the prices of goods services.
- d) Removal of restriction on the movement of good and services.

4. What is economic environment? State the component of economic environment?

Ans..- Economic environment consist of Grosse national product corporate profits, inflation rate

productivity, employment rates, interest rates, debt and spending economic environment has stronger influence over organization policies and action.

Components of economic environment are as follows-

- a) Rates of saving and export of different items.
- b) Volume of import and export of different items.
- c) Money supply in the economic.
- d) Public debt.
- e) Agricultural & industrial product.

5. "Business environment is a relative concept." Comment .

Ans.- Business environment is a relative concept since it differ from country to country and even region political condition in the USA, for instance differ from those in china or Pakistan . Similarly demand for sarees may be fairly high in India whereas it may be almost non existent in france.

### LONG QUESTIONS ( 5/6 marks)

1 Explain the features of business environment.

Ans.- Feature of business, environment are as follows

- 1 Totality of external forces:-All forces that are external to the business aggregate constitute the business environment.
- 2 Specific and general forces :-Business environment includes both specific and general forces which may affect the business firms either directly or indirectly specific factor includes investor, customer ,supplier etc and these influence individual enterprises directly on the other hand, general forces such as legal , social , governmental, Technological factor affect all business indirectly.
3. Interrelatedness:- The difference external & internal element of business environment are closely interrelated . eg. Publishers of newspaper & popular magazine increase their features , quality of printing & article because of environment variable such as reader's preference.
4. Dynamic Nature :- Business environment is dynamic in that it keeps on changing whether in terms of technological Improvement, shifts in consumers demand and changes in economic policy etc.
5. Uncertainty:- Business environment is largely uncertain as it is very difficult to predict future happenings, especially when environment changing are taking place too frequently as in case of information technology of fashion industries.

2. Explain the importance of Business Environment.

Ans.- The importance of Business Environment are as follows:-

1. Enabling the identification of opportunities and getting the firsts mover Advantage:-  
Environment can help the firm to capitalize on early opportunities rather than lose these to competitors
2. Help in the identification of threats and early warning signals:-  
Threats refer to the changes in external environment that will have an adverse effect on the firm's performance. A business environment enables manages to identity the various threats and serve as an early warning signals.
3. Sensitise the management\coping with the rapid changes:-  
Environment understanding sensitise the Mgt. to the changing needs & wishes of its customers & develop suitable causes of action.
4. It helps in tapping useful resource:-

The original receive input-finance, material members etc. from the external environment. The organization is depend of product & services to a wide range of customers. This can be done better by understanding to the business environment.

5. It helps in assisting in planning and policy formulation:-  
Environment understanding provides a base of the object qualitative information about the business environment. That strategy can utilize.

3. Explain the impact of environment policy changes on business and industry.

Ans. The impact of changes in government policy on business and industry are as follows:-

1. Increasing competition:- As a result of changes in rules of industrial licensing and entry of foreign terms competition for Indian terms has increase specially in service industries like telecommunication air lines banking etc. which were earlier in the public sector.
2. More demanding customers:- Customs today have become more demanding because they are well informed. Increased comptetions in the market gives the customers wide choices in purchasing, better quality of goods and services.
3. Necessity for changes: - The changes in policy after 1991 has forced the enterprises to continuously modify there operation because of the turbulent market forces.
4. Need for developing human resources: - With the ever changing market condition has forced the enterprises to develop their human resources. The enterprises had to know people who are competent & committed to their work.
5. Market orientation: - With the ever changes market condition enterprises. These days have to first study the market & accordingly produce and supply goods.

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