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Sub → Business Environment

BBA III Sem

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BBA Department

Business Environment

Important Long questions:

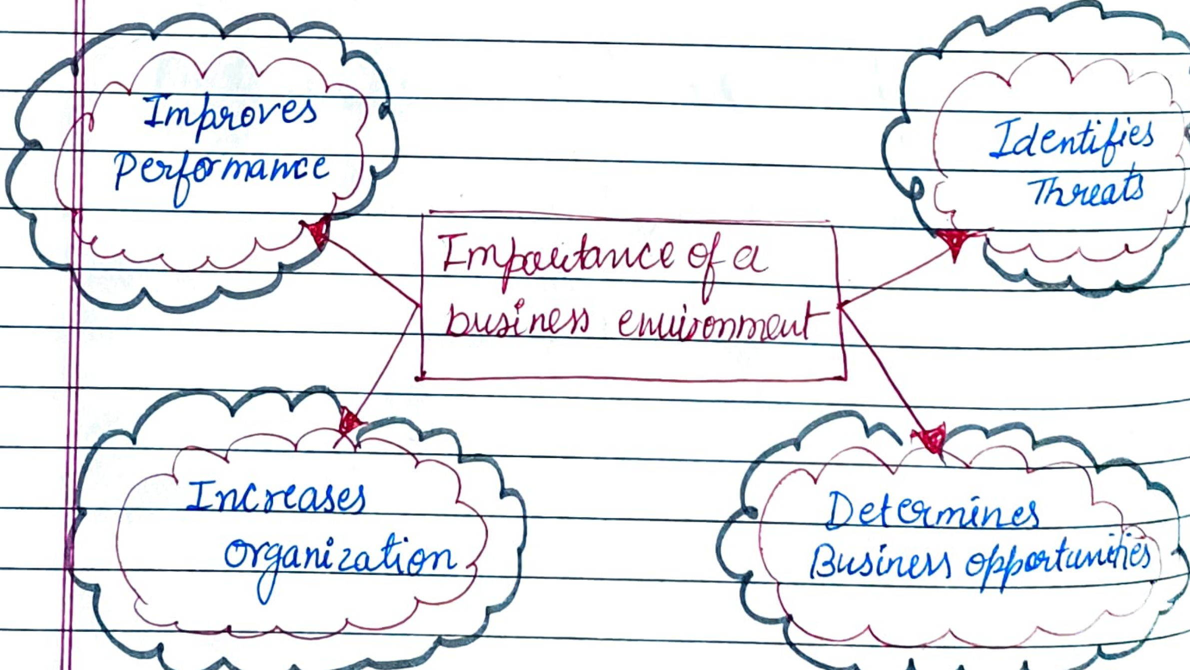
Ques 1. What do you understand by the term "Business Environment"? Discuss in detail the various components of business environment.

Ans.1. Business environment is the sum total of all external and internal factors that influence a business.

Definition of Business environment.

1.) Business environment refers to "The total of all things external to firms and industries which affect their organisation and operation." Bayord O. Wheeler.

2.) Business environment encompasses the climate or set of conditions, economic, social, political or institutional in which business operations are conducted.



It's important for business managers to understand the business environment of an organization so they can respond to those conditions.

Improves performance

By studying a business environment, you can help an organization improve its performance. you can develop strategies to adapt to changes in the environment.

Increases organization

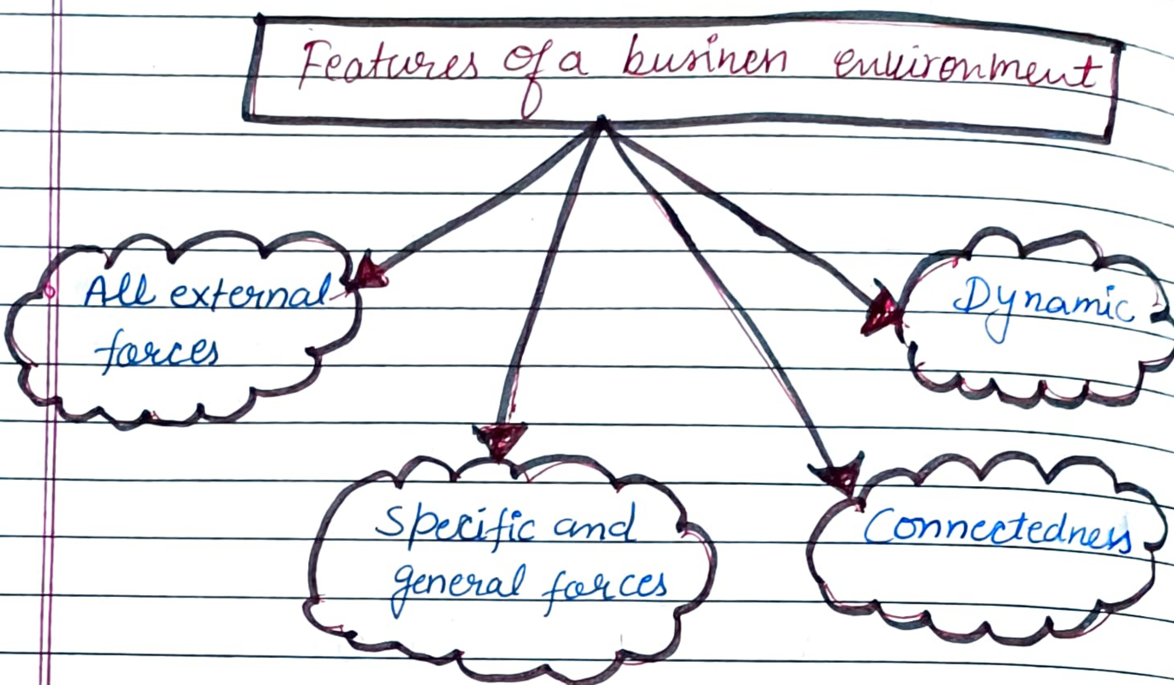
A large component of a business environment includes planning for the future. When an external farce shifts, you can create a strategic plan to address this changing condition.

Determines business Oppardunities

When we analyze the business environment, we may Identify opportunities for business growth. A business environment is dynamic, meaning its constantly changing.

Identifies Threats

There can be may threats when managing a business. If we understand the business environment you can predict and analyze those risks.



All external forces

This features refers to all the external forces outside of a company, such as competitors and economic conditions. in total, external forces create a business environment.

Specific and general forces

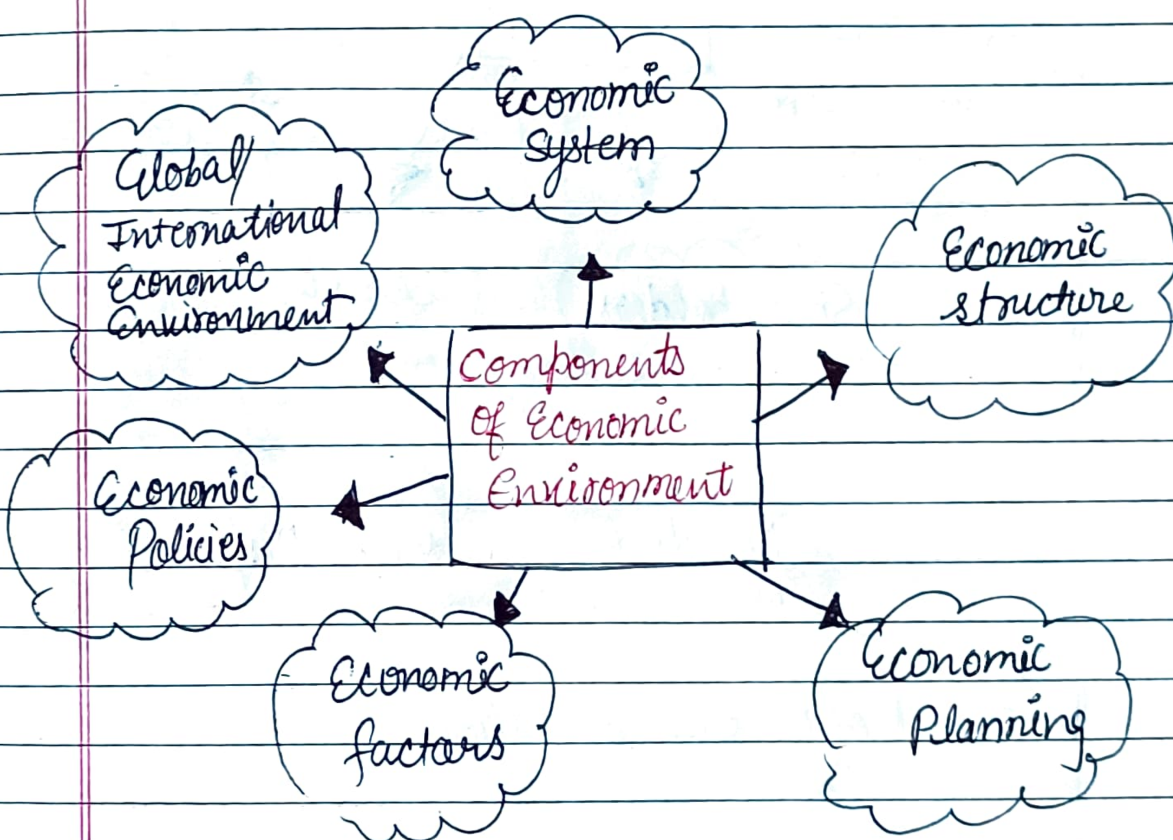
Specific forces are people or items that directly affect how the business operates such as suppliers. General forces, such as new technologies, indirect affect an organization's processes.

Connectedness

Although some aspect of a business environment may seem separate, they are all connected with one another.

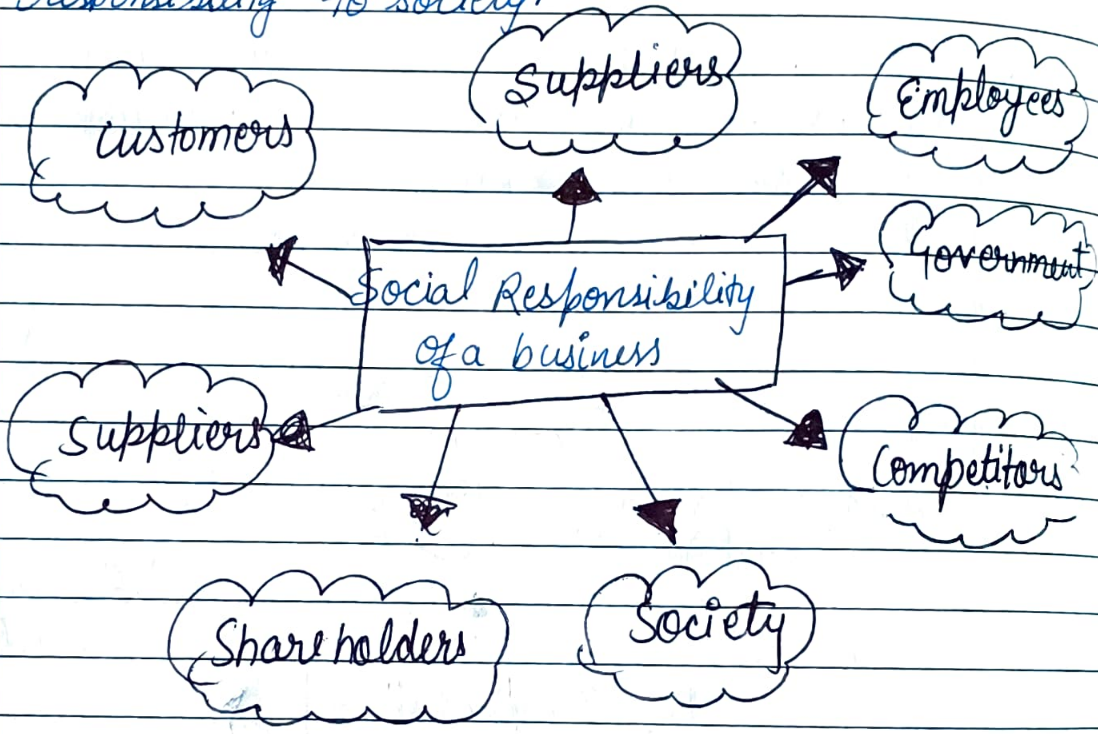
Dynamic

All components of a business environment are dynamic, which means they are always changing. For instance, an invention or shift in the market might affect most or all aspects of a business environment.



Ques 2. What are the needs of corporate social responsibility? How can business combine social responsibility with that of profit making objective

Ans 2. Social responsibility is an ethical or ideological theory that an entity whether it is a government corporation, organization or individual has a responsibility to society.



Need for the social Responsibility of Business:

- Impact of its own operations.
- Long life of business.
- Employee satisfaction.
- Fair pricing & market dynamics
- Demand & supply of goods & services
- Financial support to social & culture activities

Importance of social Responsibility for business

Improved reputation

Loyal customer base

Legal safety

1.) Improved reputation

Companies can have a more strong and more positive brand image. By contributing to the welfare of society companies will help gain a positive and improved reputation.

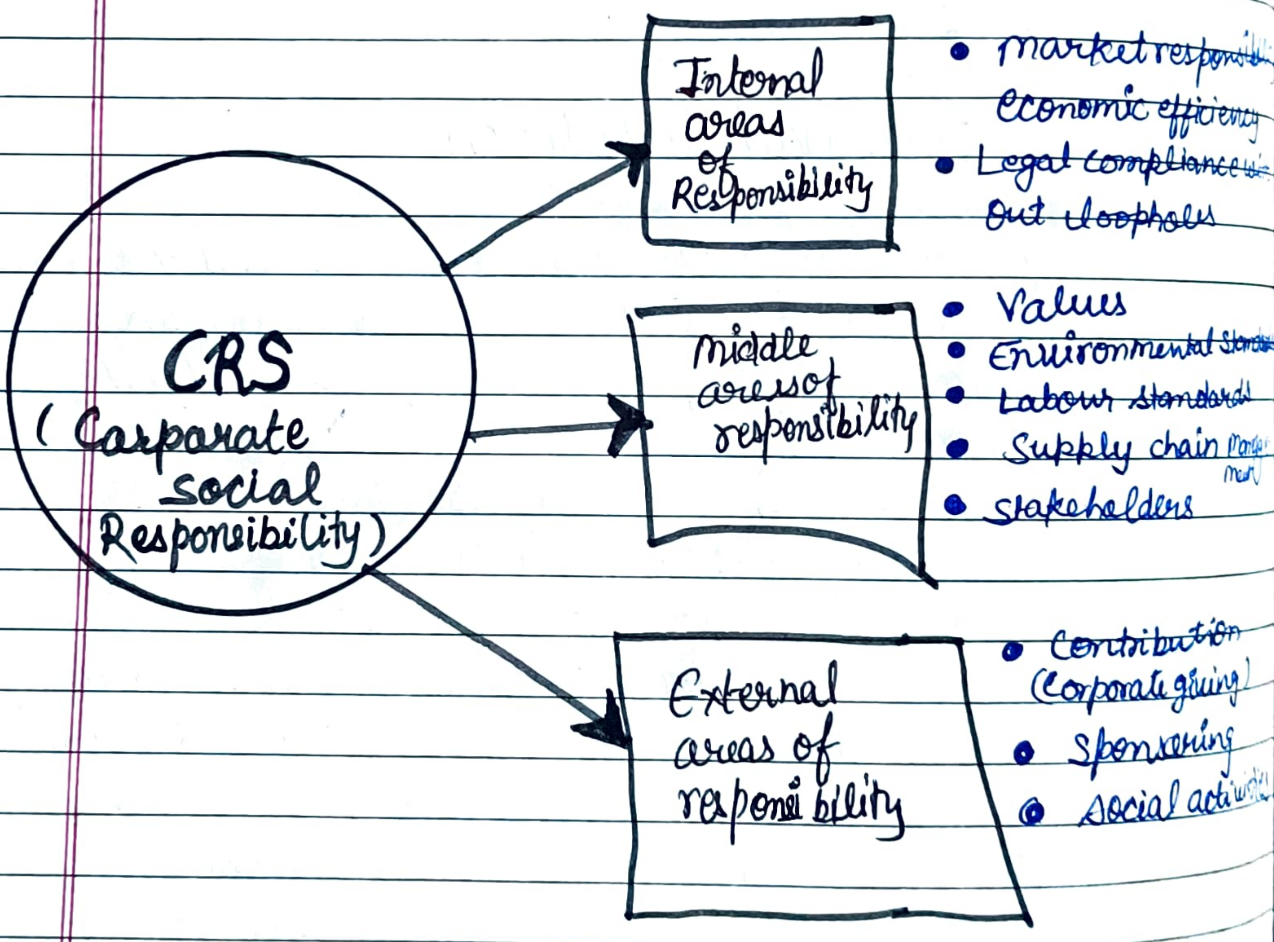
2.) Loyal customer base

As the brand reputation improves, more customers stay with the company in the long term. This helps in building a strong, stable and loyal customer base that helps in keeping the company a going concern.

Legal Safety

As the company start contributing to the company it automatically starts contsibuting to society. This allows then to not face any penalties as they compliant with regulations.

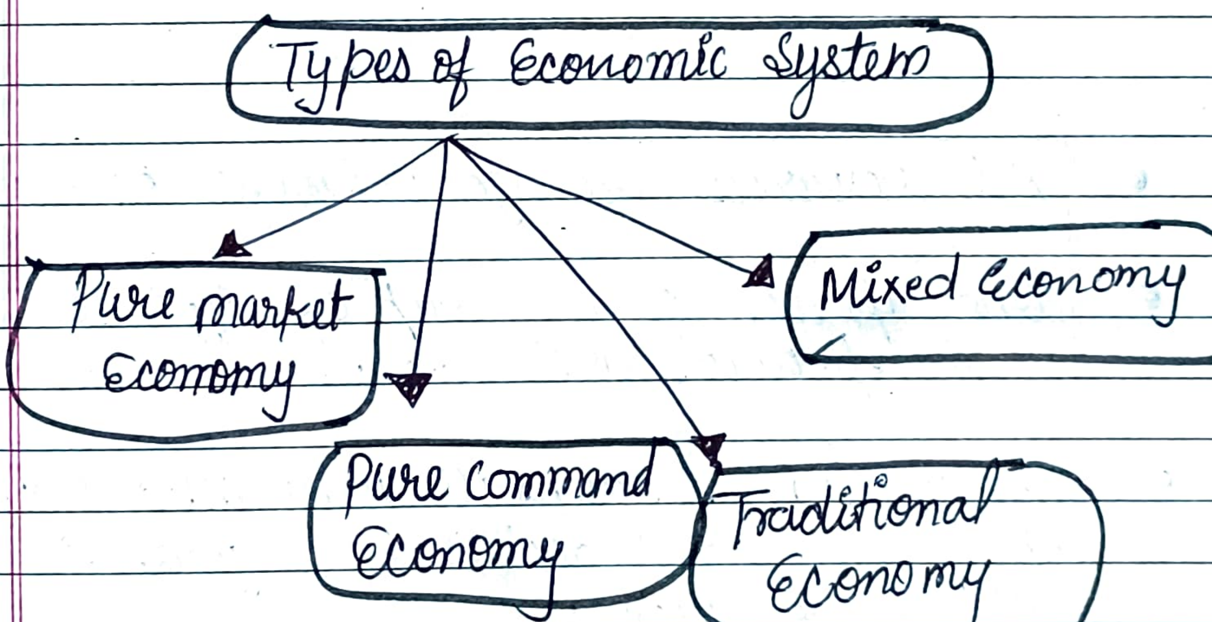
Social responsibility includes companies engaging in environmental preservation efforts, ethical labour practices, philanthropy, and promoting volunteering. For example, A company may change its manufacturing process to reduce Carbon emissions.



Ques 3. What do you understand by the Economic Systems?

Ans 3. An economic system is the combination of the various agencies entities that provide the economic structure that defines the social community. These agencies are joined by lines of trade and exchange along which goods, money etc.

An economic system refers to the way in which the resources of a country are used to produce goods and services and the manner in which these goods and services are distributed for consumption.



1) Pure Market Economy

- No government involvement in economic decisions. Private firms account for all production
- Consumers decide what should be produced. They do this through the purchases they make.
- Businesses determine How the products will be produced. They must be competitive.
- Who buy the products? The people with the most money are able to buy more goods and services.

2) Pure Command Economy

- All resources are government-owned.
- One person or a group of officials decide what products are needed.
- The government runs all businesses, controls all employment, and decides How goods and services will be produced.
- The government decides Who receives the products that are produced.

3) Traditional Economy

- Economy is shaped largely by custom or religion.
- Customs and religion determine the who, what and how.
- Example: India has a caste system which restrict occupation choice. (A social class separated from other by distinctions of hereditary rank, profession or wealth.)

4.) Mixed System

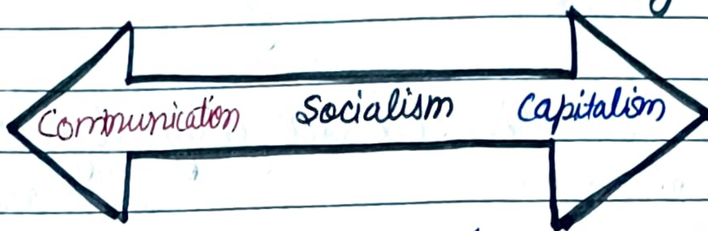
Individuals own most resources and determine what are how to produce.

Government regulates certain industries has features of both market and command economics.

Example: China, most nations

The US has a market economy but the government still has control over wages, social security and some policies.

Planned system — Free market system



High degree of government control
High level of social services

Low degree of government control
Low level of social services.

Ques 4. Write notes on:

(a) Capitalism (b) Socialism (c) Mixed economy

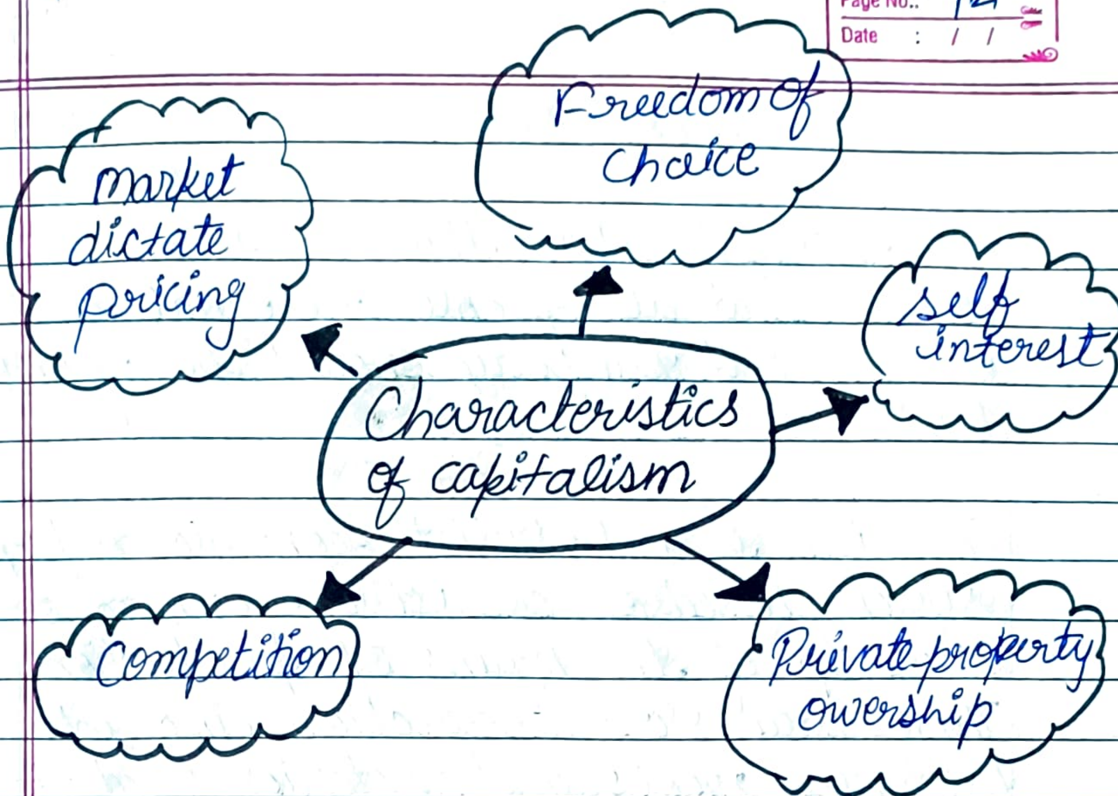
Ans.

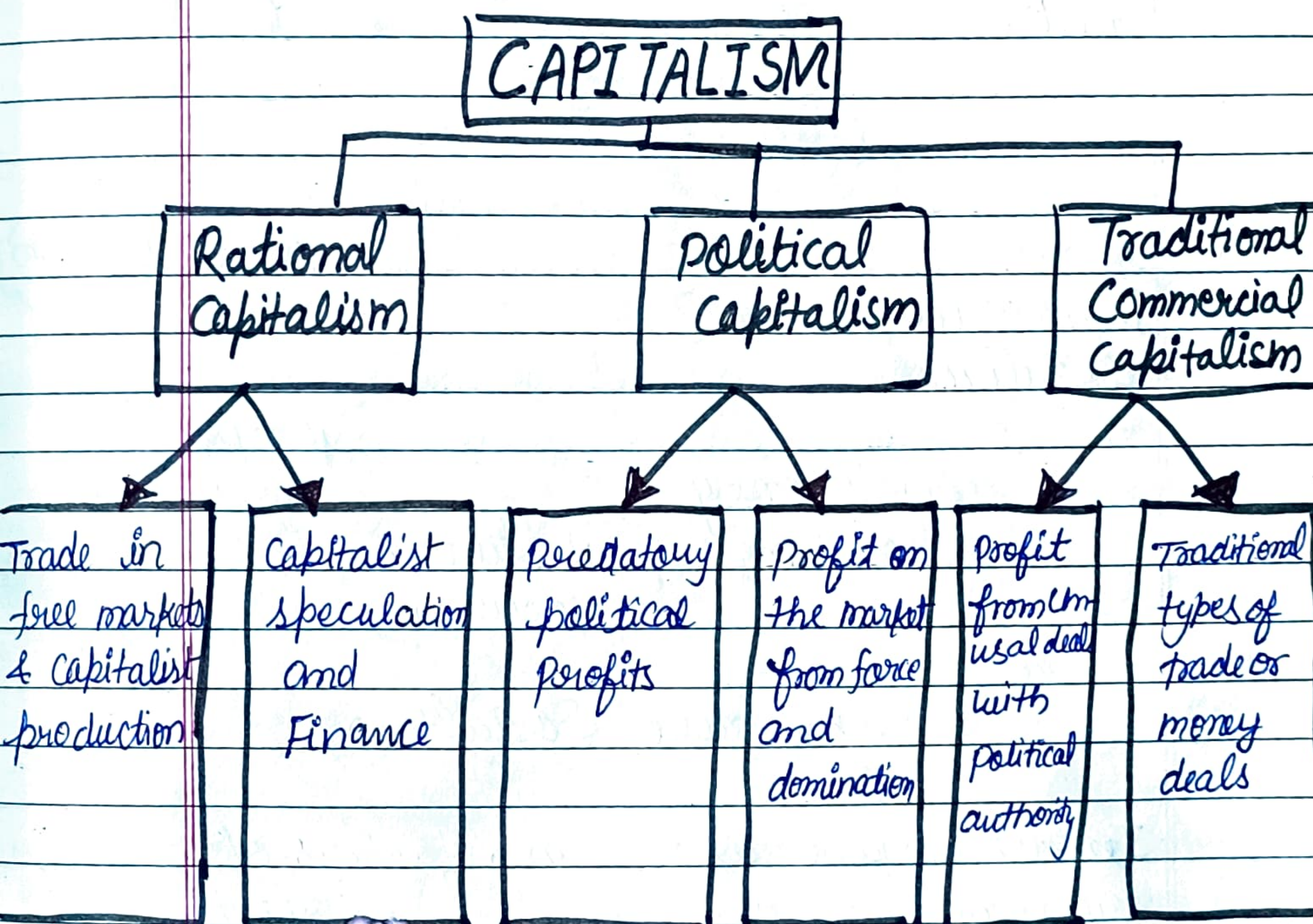
Capitalism
पूंजीवाद

Capitalism is an economic system in which wealth and the means of producing wealth are privately owned and controlled rather than commonly, publicly or state-owned and controlled.

Capitalism is an economic system in which profit-driven private actors, rather than the government, control economic activity.

The law of supply and demand drive the production, pricing and distribution of goods and services.

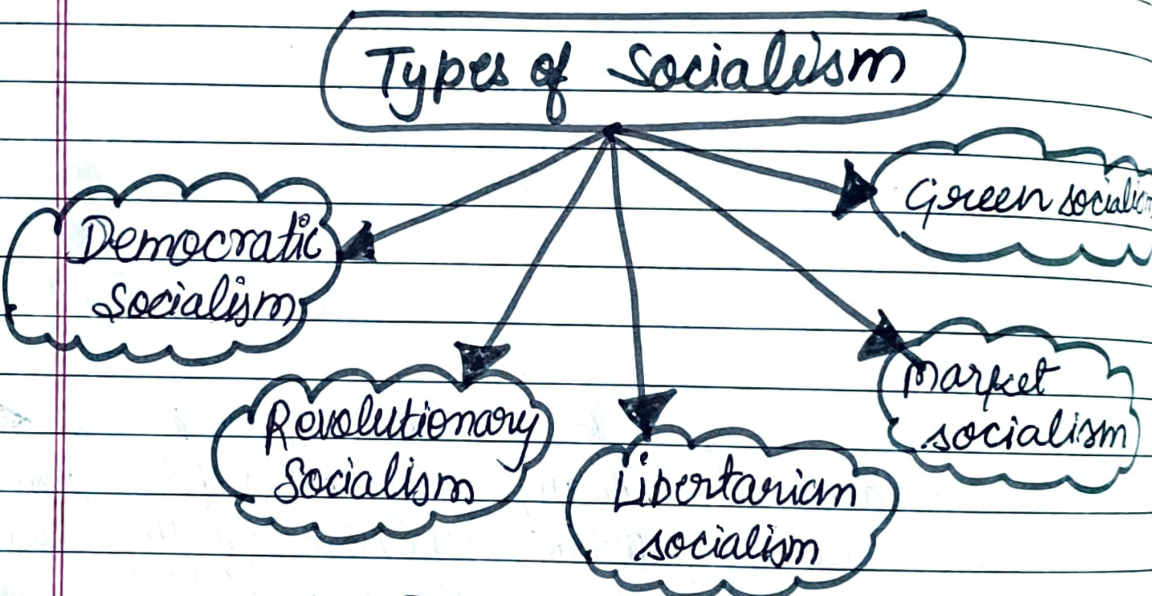

Characteristics of capitalism
Market dictate pricing
Freedom of choice
self interest
Competition
Private property ownership


CAPITALISM
Rational Capitalism
Political Capitalism
Traditional Commercial Capitalism
Trade in free markets & capitalist production
Capitalist speculation and Finance
Predatory political profits
Profit on the market from force and domination
Profit from unusual deals with political authority
Traditional types of trade or money deals

Socialism

The political idea that is based on the belief that all people are equal and that money and property should be equally divided.

Socialism is a populist economic and political system based on collective, common or public ownership of the means of production. These means of production include the machinery, tools and factories used to produce goods that aim to directly satisfy human needs.



1.) Democratic Socialism
लोकतांत्रिक समाजवाद

In democratic socialism, factors of production are under the management of an elected administration. Vital goods and services such as energy, housing, and transit are dis-

distributed through centralized planning while a free market system is used to distribute consumer products.

2.) क्रांतिकारी Revolutionary Socialism

The running philosophy of revolutionary socialism is that a socialistic system can't emerge while capitalism is still in play.
Revolutionaries believe that the road to a purely socialistic system the factors of production are owned and run by workers.

3.) बाजार Market Socialism

Under market socialism, the production process is under the control or ordinary workers. The workers decide how resources should be distributed.

4.) हरित Green Socialism

Green socialism is protective of natural resources. Large corporations in a green socialistic society are owned and run by the pulic.

Liberation Socialism
मुक्ति समाजवाद

Liberation socialism reject private property as they consider capitalist property relations to be incompatible with freedom.

Mixed Economy

A mixed economy is an economic system that accepts both private businesses and nationalized government services like public utilities, safety, military, welfare and education.

A mixed economy also promotes some from of regulation to protect the public the ~~of~~ environment or the interests of the state

Features of mixed economy

- Has the elements of both capitalism and socialism
- Protects private property
- Permits govt's intervention too
- Allows the existence of cooperative sector by the govt.
- Has a central planning body
- Individuals has the freedom to generate goods and services.

Ques 5. What do you understand by public company & Private Enterprises?

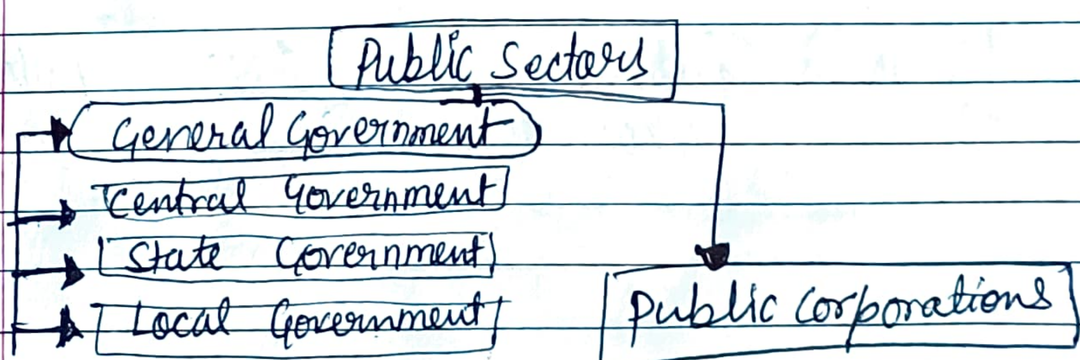
:Public Capany:

Ans. The term "public company" may also refer to a government owned corporation. This meaning of a "public company" comes from the tradition of public ownership of assets and interests by and for the people as a whole (public ownership) and its the less-common meaning in the United states.

"A company whose share are publically traded and are usually held by a large number (100-1000) of shareholders."

Public company means a company Incorpated under this Act or under any law at any time in force before Commencement of this Act and which is not a private company.

" A public company can be formed by at least seven persons as members and the membership are open to the public."



Public Enterprises

- Departmental Undertaking
- Statutory Corporations
- Government Companies

Departmental Undertaking

Example:
1. Posts & telegraph
2. Railways
3. All India Radio
4. Doordarshan (TV)
5. Ordance Factories

Statutory Corporations

Example:
1. Food corporation of India.
2. Industrial finance corporation of India
3. Life insurance of India
4. Unit Trust of India
5. State Trading corporation

Government Companies

Example:
1. Hindustan Machine tools Limited
2. Steel Authority of India ltd
3. Hindustan Shipyard Limited.

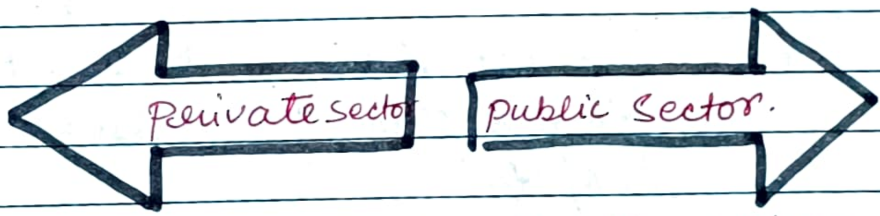
Characteristics of public enterprises

- Established by the Government
- Government ownership management & control
- Service motive
- Autonomy in operations
- public Accountability
- Separate legal status
- Continued Existense

Private Enterprises

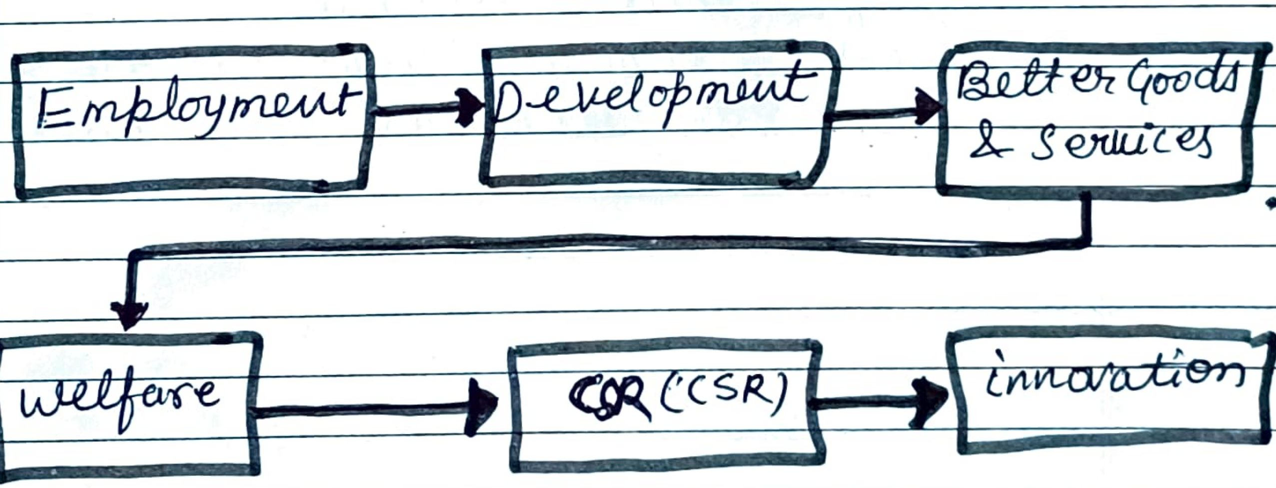
Private enterprise is Industry and business which is owned by Individual people or commercial companies, and not by the government or an official organization.

The term "private enterprise" is typically in reference to either a privately owned and operated entity, or an economic system.



Profit maximization Public walfare
Employment Defence

Private Sector



Difference between Public & Private Company

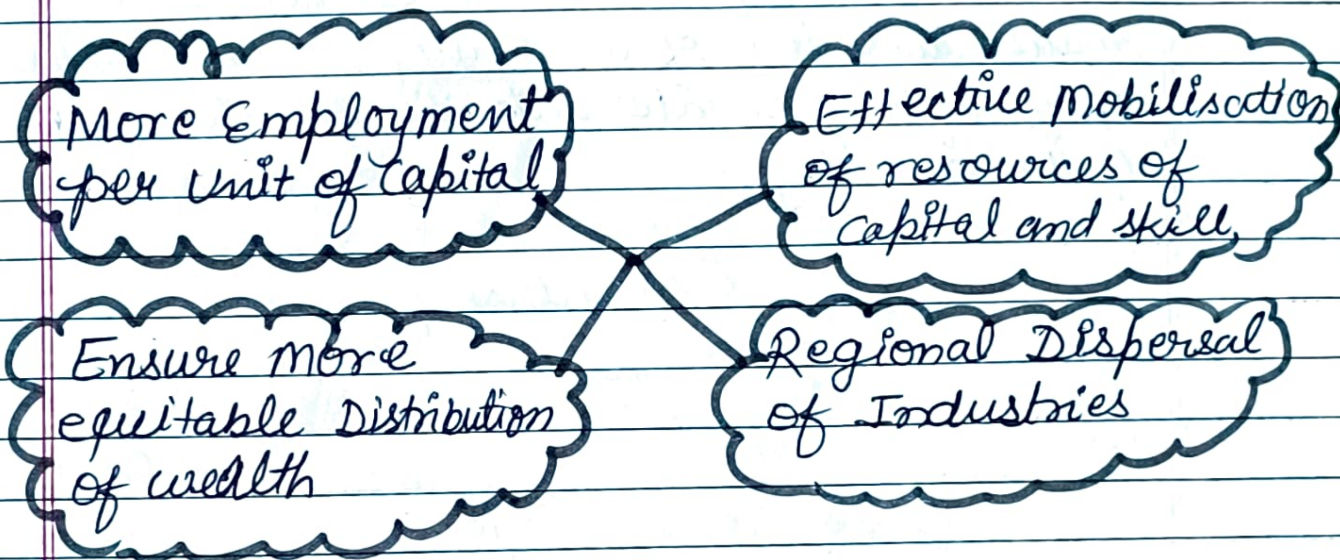
S.no.	Basis	Private Company	Public Company
1.	Meaning	Owned and traded privately.	Owned and traded publicly.
2.	Minimum members	There are minimum 2 members.	There are minimum 7 members
3.	Maximum members.	maximum no. of members are 200.	maximum no. of members are unlimited.
4.	Name	Ends with private limited	~~Invites public to subscribe to capital~~ Ends with Limited
5.	Invitation to Public	Cannot invite public to subscribe to capital	Invites public to subscribe to capital
6.	Tranfer of Share	Restricted	No restriction.
7.	Number of Directors.	Minimum - 2	Minimum - 3
8.	Filling of Documents	Their consent need not be field with the registrar	Their consent must be field with the registrar.

Ques6. Explain the Industrial Policy with repect to SSI (Small Scale Industries) in India.

Ans.

Small Scale Industries (SSI)

The sector of small scale industries (SSIs) was brought to fore by the industrial policy Resolution 1956. The various arguments that were put forward for the SSIs were as follow:



1) **More Employment per unit of capital**

The emergence of SSI was propagated through the principle of self employment. small enterprises are labour-intensive and thus create more employment per unit of capital.

2) **Ensure More equitable Distribution of wealth**

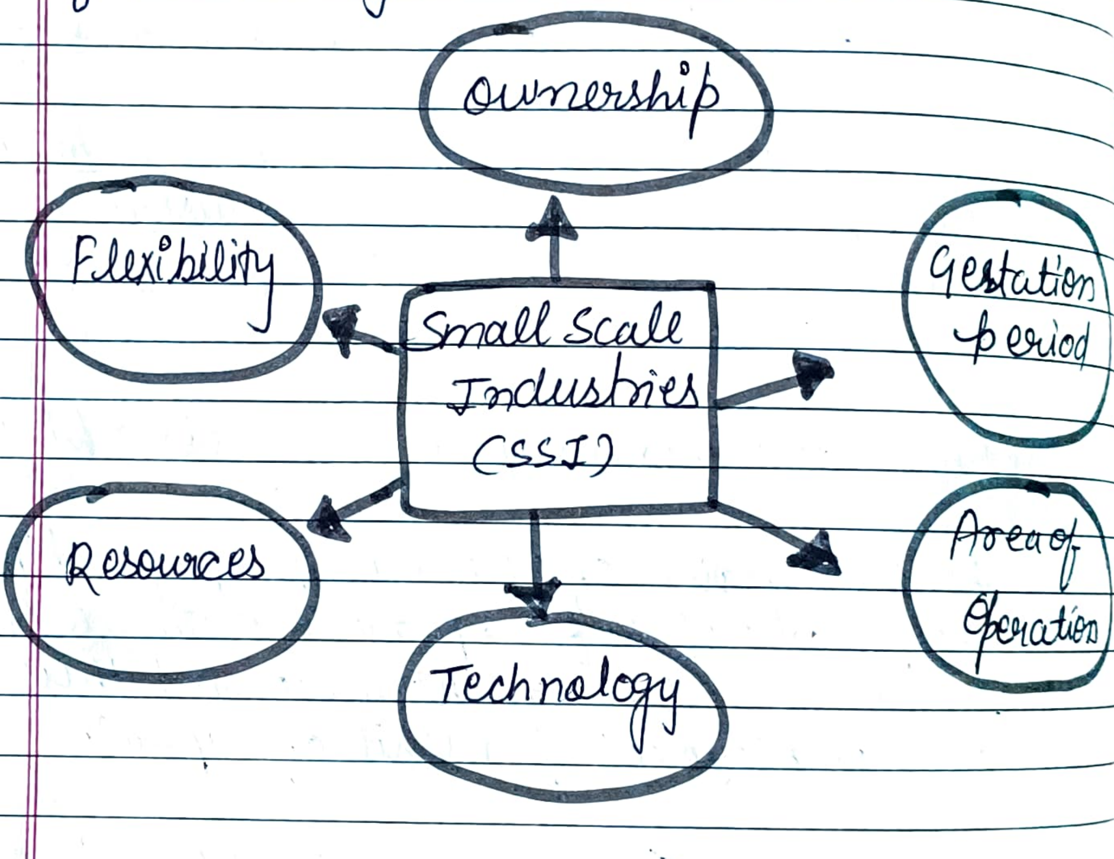
Also, it found that income generated by SSIs are more widely dispersed in community than the income generated in a few large enterprises.

3) **Effective Mobilisation of Resources of Capital and Skill:**

Small enterprises have also been able to tap latent resources like hoarded wealth, entrepreneurial ability and so on.

4) **Regional Dispersal of Industries:**

Large enterprises are normally concentrated in the metropolitan cities. However, the industrialisation of a country can be completed only if it permeates into the remote corners of the country.



Objectives of small scale Industries:

The objectives of small scale industries are:

To create more employment opportunities with less investment.

To remove economic backwardness of rural and less developed regions of the economy.

To reduce regional imbalances.

To mobilise and ensure optimum utilisation of unexploited resources of the country.

Classification of industries

- **Manufacturing Enterprises**
  - → Micro Enterprises
  - → Small Enterprises
  - → Medium Enterprises
- **Service Enterprises**
  - → Micro Enterprises
  - → Small Enterprises
  - → Medium Enterprises

Manufacturing Enterprises

The enterprises engaged in the manufac or production of goods pertaining to any industry specified in the first schedule to the industries or employing plant and machinery in the process of value addition to the final product having a distinct name or character or use are referred to as "Manufacturing Industries"

(a) **Micro Enterprises:** An Enterprise where investment on plant and machinery is upto RS. 25 Lakh is referred to a "Micro Enterprises."

(b) **Small Enterprises:** They are those enterprises where the investment on plant and machinery is above RS 25 Lakh and it is upto RS. 5 crore is reffered to as small enterprises.

(c) **Medium Enterprises:** The enterprises where the investment on plant and machinery is above RS. 5 crore and is upto RS10 crore is referred to as "Medium Enterprises."

Service Enterprises

An Enterprise service is a pipeline for querying external data and importing data from an external system. Examples include work done by barbers, doctors, lawyers, machanics, banks, insurance companies, and so on.

The enterprises engaged in providing or rendering of services and are defined in term of investment in equipment are referred to as "service Enterprises."

(a) **Micro Enterprise:** An enterprise where the investment in equipment is upto Rs. 10 lakh is referred to as 'Micro enterprise'.

(b) **Small Enterprise;** An enterprise where the investment in equipments is above rs 10 lakh and upto Rs. 2 crore is referred to as 'Small enterprises.'

(c) **Medium Enterprise;** An Enterprise where the investment in equipments is above Rs. 2 crore upto Rs 5 crore is reffered to as "Medium enterprise."

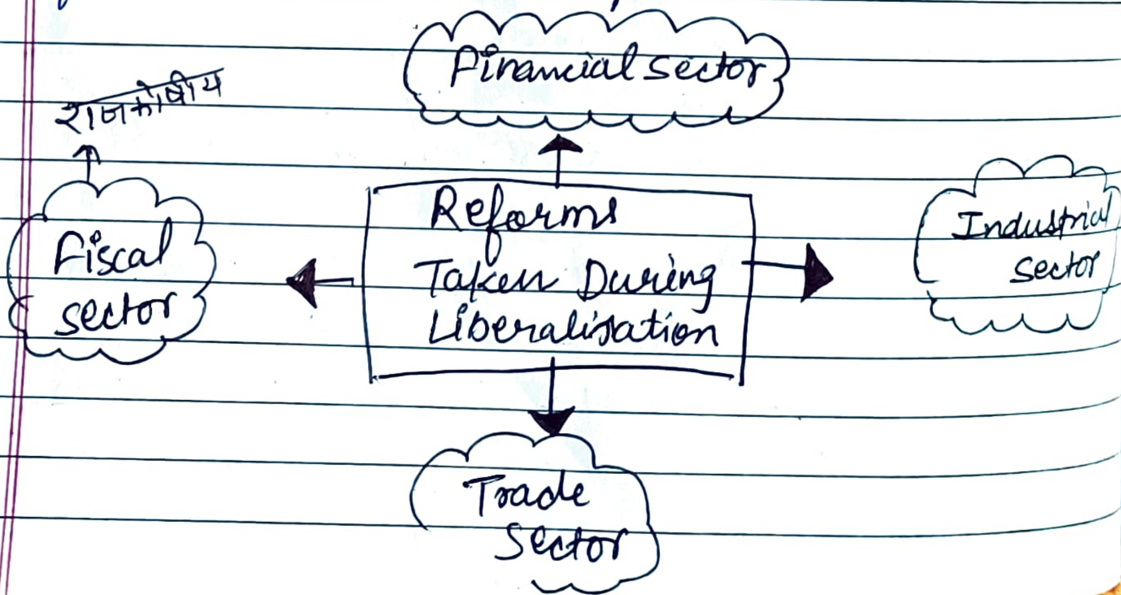
Ques7. What do you understand by Liberalization?

Ans. Liberalisation has been the dominant force in international business in the developed world over the past two decades. It is likely to remain important and developing countries will increasingly feel its effects.

Liberalization is a very board term that usually refers to fewer government regulation and restrictions in the economy in exchange for greater participation of private entities.

Objectives of Liberalization

To boost competition between domestic business.
To promote foreign trade and regulate imports and exports
Improvement of technology and foreign capital
To develop a global market of a country.
To reduce the dept burden of a country
To reduce the role of the public sector in future industrial development.



Impact of Liberalisation

Positive Impact:

1) **Promotes Efficiency:** Liberalisation helps in promoting the levels of industrial efficiency by removing unnecessary restrictions such a licensing, controls and regulation. Also the economic agents have the freedom to take their own decisions on market forces of demand and supply.

2. **Increases Industrial Activity:** Liberalisation encourages existing economic entities to enlarge their scale of operations and amount of investment by removing government controls on business activities.

3. **Competition:** The policy of liberalisation helps in increasing the number of entrepreneur and business entities operating in the market.

4. **Benefits to consumer:** To consumers are also benefited as they get cheaper and more variety of goods and services.

5. **Increased foreign Investment:** The policy of liberalisation permits a greater involvement of foreign investment.

Negative Impact:

1.) **Regional Imbalances:** In the absence of restrictions, private enterprises would be set up in the developed regions.

2) **Ignores social welfare:** The extent of market orientation increases due to liberalisation.

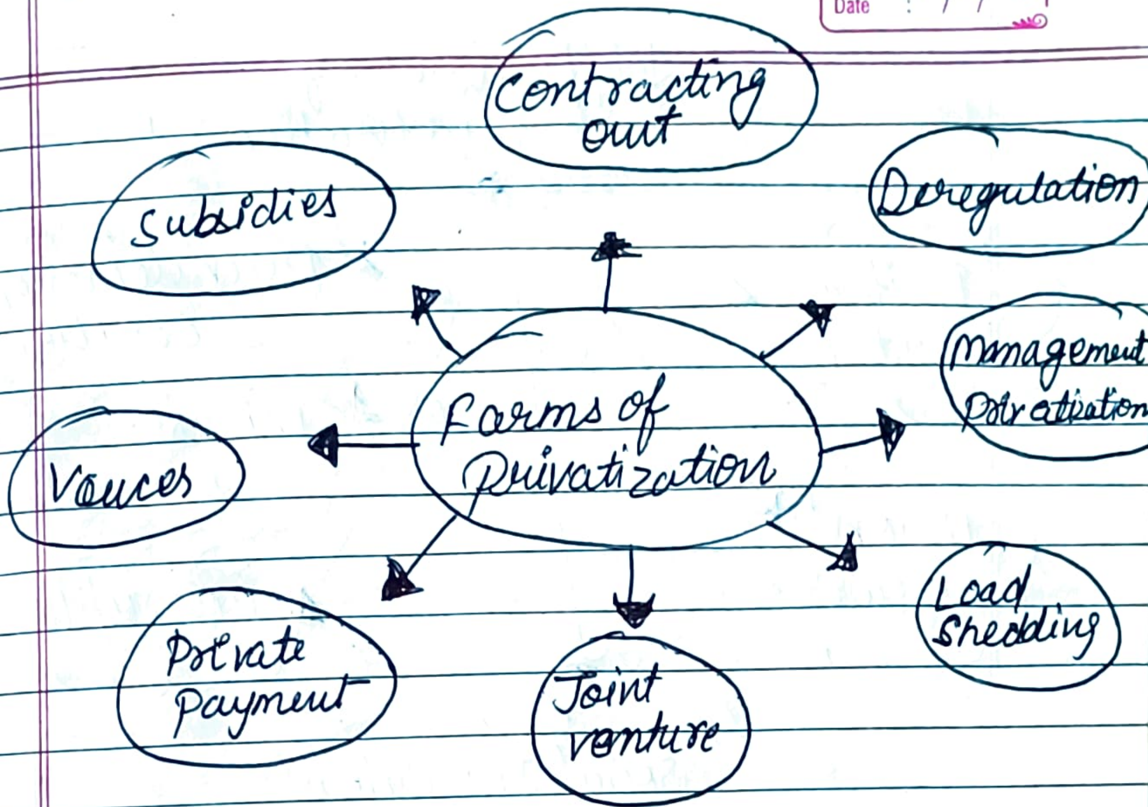
3.) **Concentration of Economic power:** Due to liberalisation, all the limits on expansion of business come to an end.

Ques. What do you understand by the term Privatisation? Explain how the concept of privatisation evolved? What are the difficulties In the process of Privatisation?

Ans. Privatisation occurs when a government owned business, operation, or property becomes owned by a private, non-government party.

Privatisation also may describe a transition that takes a company from being publicly traded to becoming privately held. This is referred to as corporate privatisation.

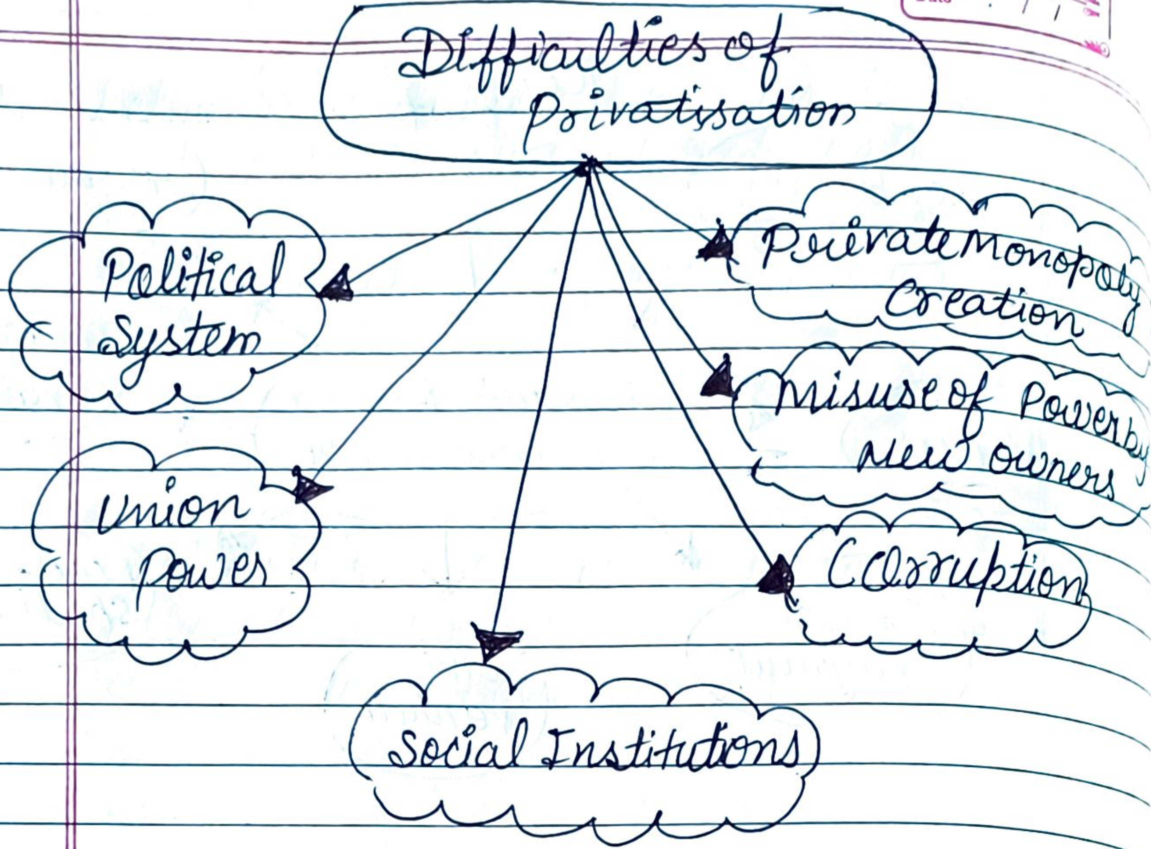
The transfer of ownership, property or business from the government to the private sector is termed privatisation. The government ceases to be the owner of the entity or business.



The collapse of the communist regimes across Eastern Europe in 1989 has led to privatization being taken to an entirely new level.
No longer did it represent one of the most visible results for a swing in the balance between the political forces of right and left.

Difficulties in the process of Privatisation

Following can be some of the difficulties and impediments in the process of implementation of privatisation policies:



① **Political System:** One explanation for the slow pace of privatisation is the process that failure of the government to force the coalition parties in power to push through change.

② **Union Power:** One of the side effects of privatisation is the large potential layoff of employees, in a bid to in a bid to increase efficiency.
The fear of massive lay-offs has led to strong demonstrations against privatisation.

③ **Social Institutions:** Strong social institutions are needed to help those put out of jobs are a resuet of privatisation.

Corruption: In many instances, privatisation has been criticized stating that it has gone hand-in-hand with widespread corruption.

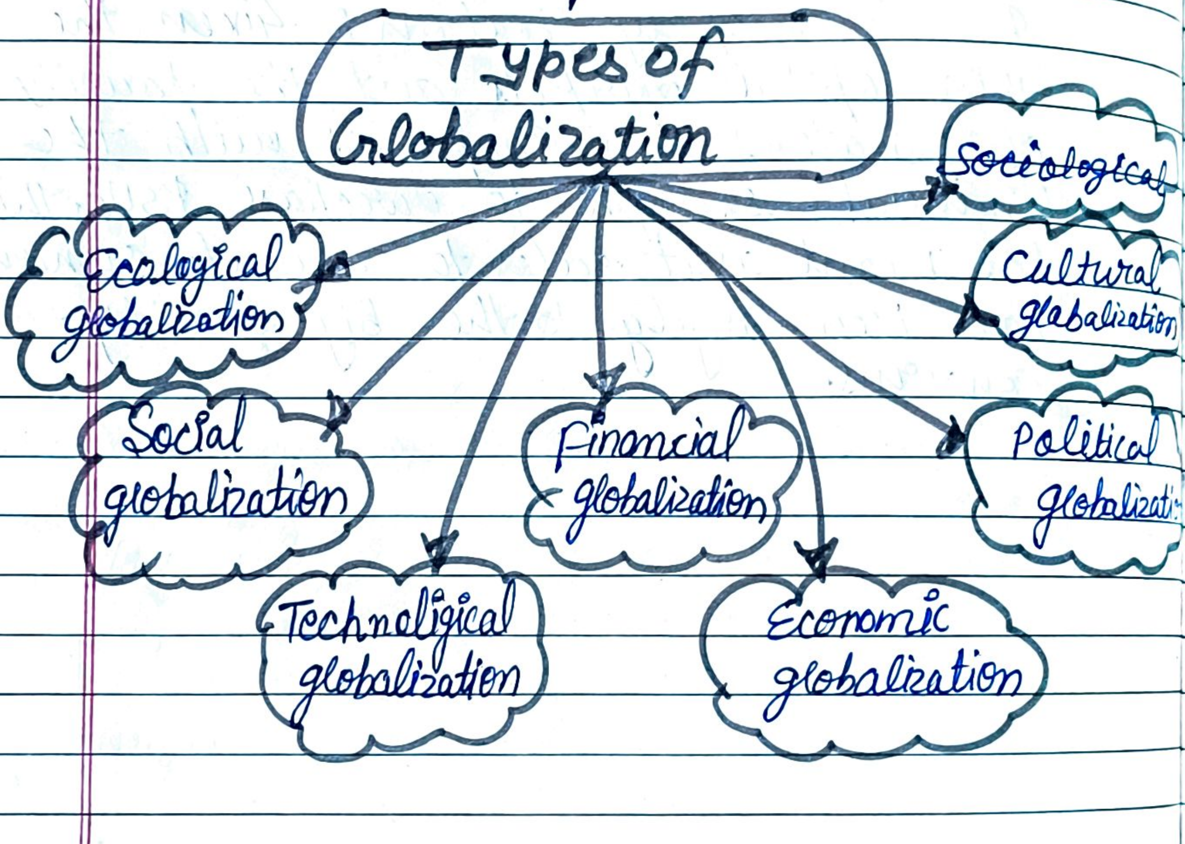
Misure of Power by New owners: The protest against privatisation has been fuelled by the perceived misuse of power by new owners of the privatised entities.

Private monopoly Creation: Given the thin capital markets and the paucity of private Indian companies with the financial strength to purchase PSUs, this has meant asset sales to private owners have been largely to the big family concerns.

Ques9. Define Globalization ? Explain the nature and characteristics of globalization.

Ans Globalization is a process of international integration arising from the interchange of world view, products, ideas and other aspect of a culture.

Globalization describes a process by which national and regional economies, societies and cultures have become integrated through the global network of trade, communication and transportation.



Charectoristics of Globalization

- Globalization broadens our minds.
- Closer contact with foreign people make us quite familiar with their manners, habits and customs. The Cultures become richer as they come into contact with each other.
- Improving International relations.
- Human resources are highly diverse.
- The units respond to some common strategy.
- Product presence is in different markets of the world.

Factors for Globalization

* Technology is expanding especially in tranportation and communication.
* Governments are removing international business restrictions.
* Institutions provide services to ease the conduct of international business.
* Consumers know about and want foreign goods and services.

Ques10. Explain Foreign Exchange Regulation Act. (FERA)

Ans. Foreign Exchange Regulation Act 1973 on dealings in foreign exchange. Some of the restrictions laid down by the Foreign Exchange Regulation Act 1973 on dealings in foreign exchange are as follows:

Features of FERA

* Only those persons can deal in Foreign exchange who are authorized dealers by the Reserve Bank of India.

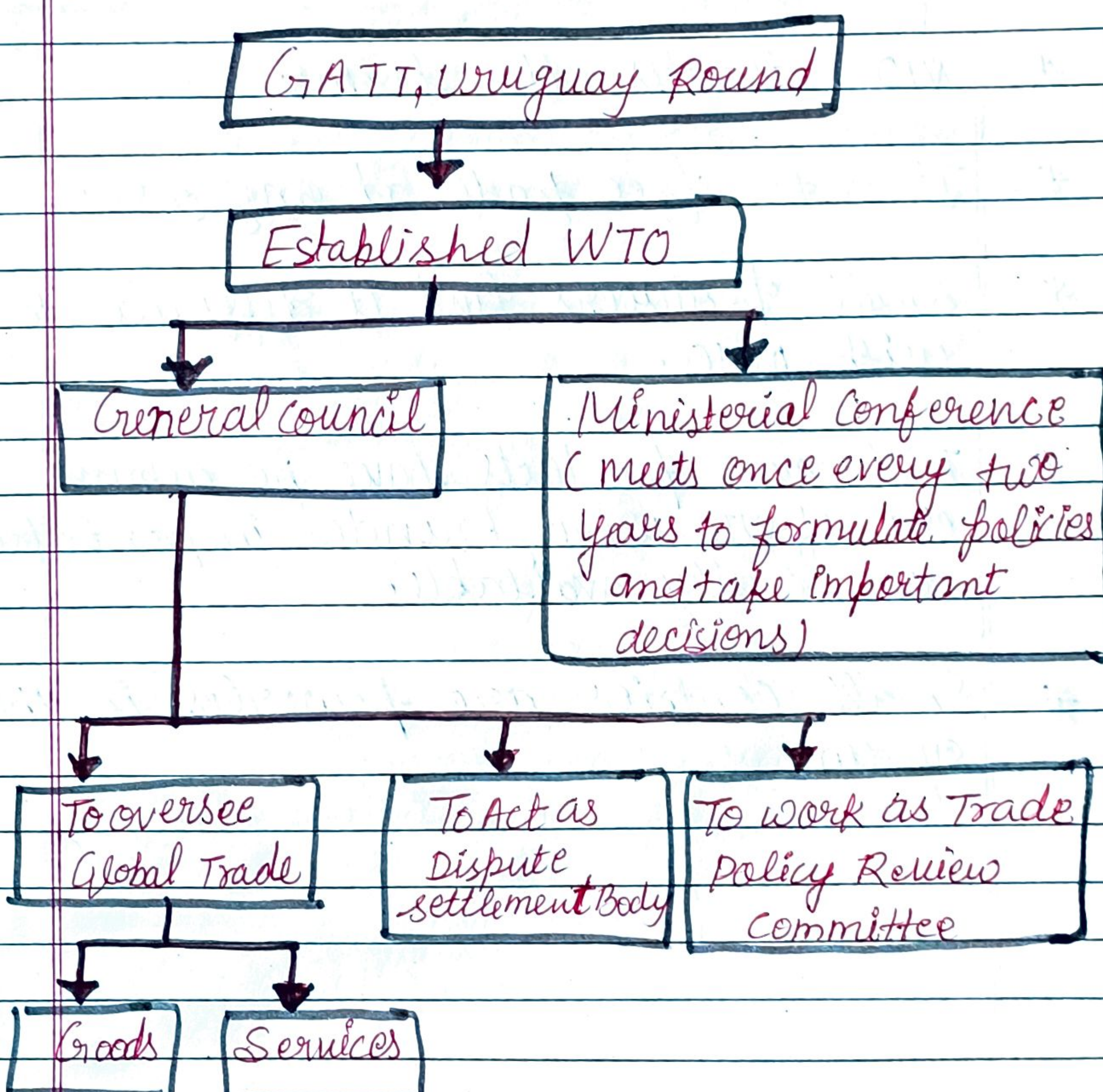
* If any other person other than the authorised dealer is dealing in foreign exchange, he will have to take a special permission from the Reserve Bank of the country.

* Payments is respect of the exported goods will be made according to the notification of the Central Government from time to time.

* Permission of the Reserve Bank is also required for establishing any place of businen in India by foreign companies.

Ques 11. What do you understand by world Trade Organisation (WTO) and GATT? Explain.

Ans. The world Trade Organisation (WTO) was farmed in 1995 with GATT (General Agreement on Tariffs and Trade) with the objective to help products of goods and services, exporters and imparters Conduct their business internationally. WTO is the only global organisation that deals with the rules of trade between Nations.



Benefits of WTO

* Disputes are settled officially
* WTO rules are consumer friendly.
* Free trade cuts the costs of many goods
* WTO Provides more choice of products.

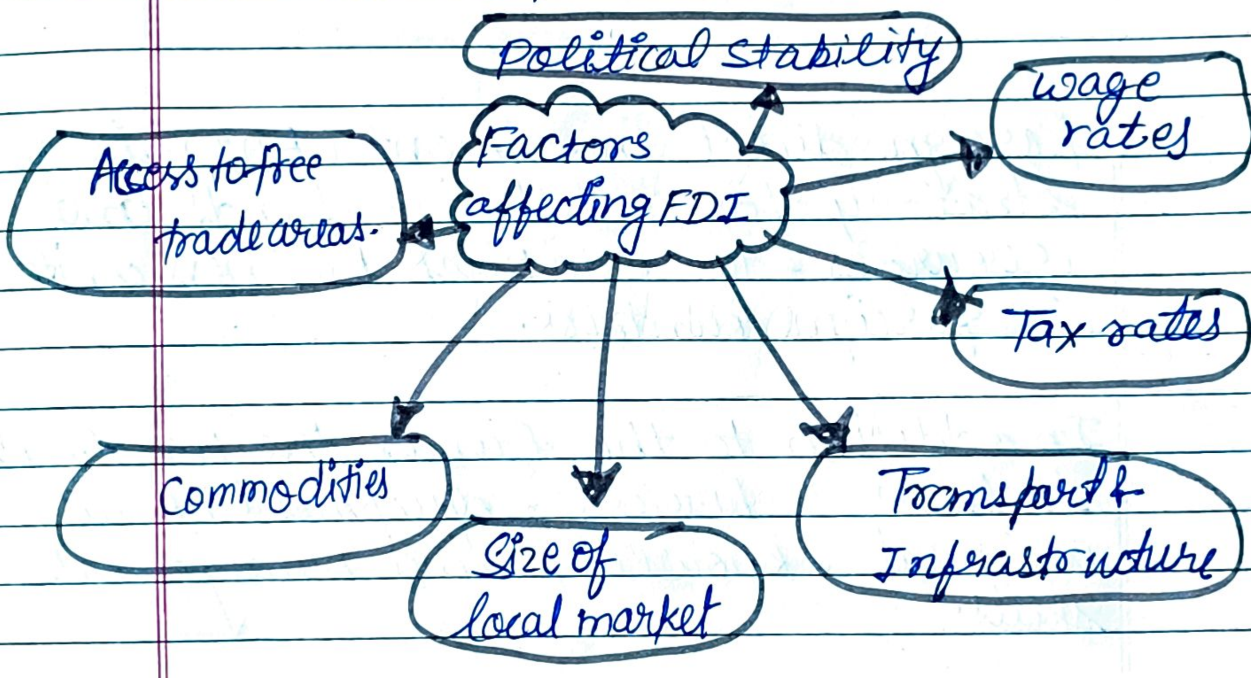
The arguments against WTO are:

* WTO dictates the terms.
* It is for free trade at any cost.
* Small producers find it difficult to compete with MNCs.
* Indigenous products have no demand in the era of WTO when branded imported items are easily available.
* Small contries are powerless in the WTO system

Ques 12. What do you understand by Foreign Direct Investment? Explain.

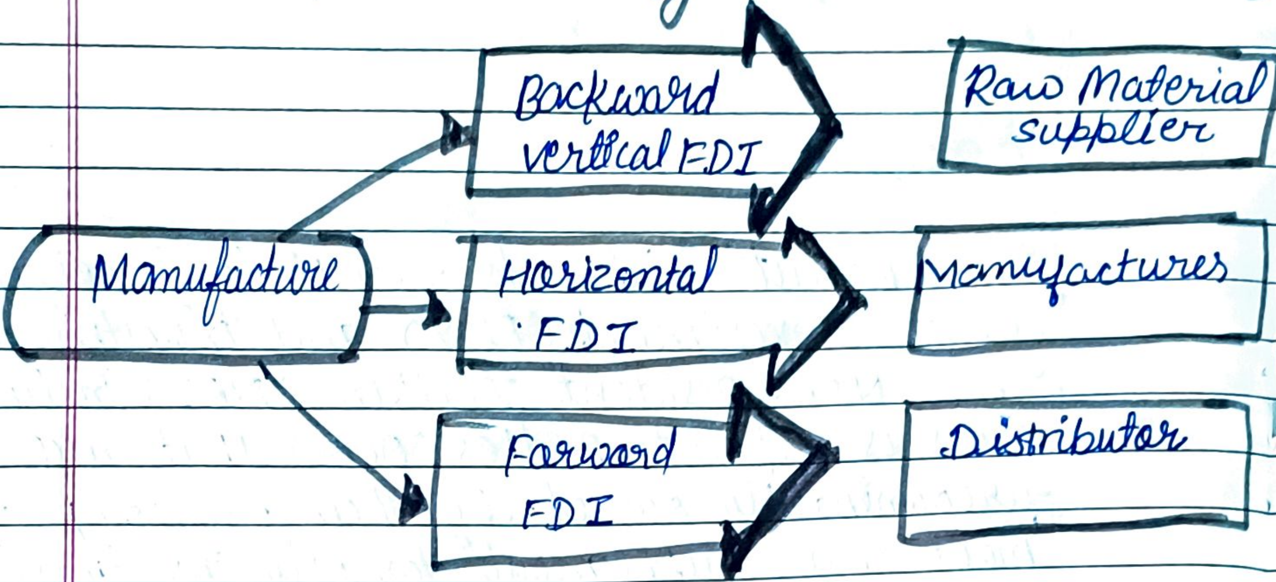
Ans. **Foreign Direct Investment (FDI)**

Government wishes to facilitate foreign direct Investment (FDI) and investment from Non-Resident Indians (NRI)s including overseas corporate Bodies (OCBs) that are predominantly owned by them, to complement and supplement domestic investment.



Foreign direct Investment occurs when a firm invests directly in new facilities to produce and/or market in a foreign country.

FDI (Foreign Direct Investment)



- Foreign direct investment (FDI) is a strategy for contributing funds and resources - to establish business units in foreign countries.

- In addition to the Funds the investment includes technology, equipment, Raw material, knowledge and management skills.

- The investing companies get favorable deals - resources, workforce, facilities, land concessions, tax concessions and subsidies. It gives investors an opportunity to expand their business into a new market.

Objectives of FDI

- → Market expansion
- → Increase in Profit
- → Better resource
- → Reduce cost
- → Better technology
- → Brand Building
- → Competition

FDI is an opportunity for emerging opportunity of economies. At the same time, it paves the way for Investors who want to expand Into new geographical regions.

- Foreign Direct Investment
  - 22% Greenfield investment
  - 78% Mergers and Acquisitions
    - 3% Mergers
    - 97% Acquisitions
      - 65% Full Acquisition
      - 15% more than 50% Acquisition
      - 16% 10-49% Acquisition