



3. Mention the various dimensions of business environment.

Ans:

- (i) Economic Environment: Interest rates, inflation rates, value of rupee and many more are the economic factors that can affect management practices in a business enterprise.
- (ii) Social Environment: The social environment of business includes the social forces like customs and traditions, values, social trends etc.
- (iii) Technological Environment: This includes forces relating to scientific improvements and innovations, which provide new ways of producing goods and services and new methods and techniques of operating a business.
- (iv) Political Environment: This includes political conditions such as general stability and peace in the country and specific attitudes that elected government representatives hold towards business.
- (v) Legal Environment: This includes various legislations passed by government authorities and court judgements. It is important for the management of every enterprise to obey the law of land and for this, enough of knowledge of rules, and regulations framed by the government is a pre-requisite for better performance.

4. Briefly explain the following

- (a) Liberalisation
- (b) Privatisation
- (c) Globalisation

Ans: The three important features of New Economic Policy, 1991:

- (a) Liberalisation: Under the new economic policy of 1991, the economic reforms that were introduced aimed at liberalising the Indian business and industry from all unnecessary controls and restrictions. They signalled the end of the licence-permit quota raj.
- (b) Privatisation: The new set of economic reforms that aim at giving greater role to the private sector in the nation building process and a reduced role to the public sector.
- (c) Globalisation: Globalisation means the integration of the various economies of the world leading towards the emergence of a cohesive global economy. Till 1991, India had a policy which strictly regulated imports in value and volume terms. After 1991, the reforms aimed at import liberalisation.

5. Briefly discuss the impact of Government policy changes on business and industry.

Ans: Impact of Government policy changes on business and industry

- (i) Increasing Competition: As a result of liberalisation, privatisation and globalisation number of players increased in all sectors and increased competition for everyone.
- (ii) More Demanding Customers: Increased competition in the market gives the customer wider choices in purchasing better quality of goods and services, which makes them more demanding.
- (iii) Rapidly Changing Technological Environment: New technologies help to improve machines, process products and services. The rapidly changing technological environment creates tough challenges before smaller firms.
- (iv) Necessity for Change: After 1991, the market forces have become turbulent as a result of which the enterprises have to

continuously modifying their operations.

(v) Need for Developing Human Resource: The new market conditions require people with higher competence and greater commitment. Hence, the need for developing human resources emerged.

(vi) Market Orientation: Earlier, production was taken up first and then selling was done. Now, due to increasing competition and more demanding customers firms have to study and analyse the market first and produce goods accordingly.

(vii) Loss of Budgetary Support to the Public Sector: Public sector have less of budgetary support from the Central Government. Now, they have to generate their own resources and be more efficient in order to survive and grow.

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