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# WEBINAR SERIES

## Business Environment

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# WEBINAR SERIES

## Business Environment

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# Business Environment



# MEANING OF BUSINESS ENVIRONMENT

The term business environment means the sum total of all individuals, institutions, and other forces that are outside the control of a business enterprise, but that may affect its performance.



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## LESSON SUMMARY



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# ***FEATURES OF BUSINESS ENVIRONMENT***



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# Features

Lets learn it in a single word

## R- DUTIES

- R- Relativity
- D- Dynamic
- U- Uncertainty
- T- Totality of external forces
- I- Interrelatedness
- E- Complexity
- S- Specific and General forces



# 1. TOTALITY OF EXTERNAL FORCES

Business environment is the sum total of all things external to business firms for example, government's economic policies, investors, suppliers, changes in taste of consumers etc.





## 2. Specific and General Forces

General forces have impact on all business enterprises and thus may affect an *individual firm only indirectly.*



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Specific forces affect individual enterprises directly and immediately in their day-to-day working.

# Components of Business Environment



## Internal/Specific Environment

- Customers
- Owners and investors
- Suppliers
- Creditors
- Employees and trade union
- Competitors

## External/General Environment

- Economic Environment
- Social Environment
- Political Environment
- Technological Environment
- Legal Environment

# 3. Inter-relatedness

- Different elements or parts of business environment are closely inter-related. For example: LIFE EXPECTANCY of people and increased awareness for health care have increased the demand for many health products.



# 4. Dynamic nature

- It keeps on changing whether in terms of technological improvements, shifts in consumer preferences or entry of new competition in the market.



# 5. Uncertainty

This factor is largely uncertain as it is very difficult to predict future happenings, especially when environment changes are taking place too frequently.



As in case of fashion industry



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# 6. Complexity

- Environment is a complex phenomenon that is relatively easier to understand in parts but difficult to grasp in its totality.



It may be difficult to know the relative impact of the social, economic, political, technological or legal factors, on change in demand of a product in the market.



# 7. Relativity

- It is a relative concept since it differs from country to country and region to region, as the political conditions in USA and INDIA.





## LET'S CHECK THE PROGRESS

1. The term 'Business Environment' means the sum total of all \_\_\_\_\_, \_\_\_\_\_ and other \_\_\_\_\_ that are outside the control of a business enterprise but that may affect its performance.

**ANS- individuals , institutions , forces**

2. Business environment includes \_\_\_\_\_ and \_\_\_\_\_ forces.

**ANS- General , Specific**

3. Business environment differs from country to country and even region to region. [TRUE /FALSE]

**ANS- TRUE**



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4. Environment is a simple phenomenon that is relatively easier to understand in totality.  
[TRUE/FALSE]

**ANS- FALSE**



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# CASE STUDY

The market for Herbal Cosmetics in India is growing at a remarkable pace of 15 -20% per annum. This clearly indicates that today's aware and educated consumer knows what is good for him and what is not. His tastes and preferences are undergoing a major change. The growth in the herbal cosmetics market is due to many factors like rising health consciousness, changing lifestyles, increase in disposable income and growing availability of herbal cosmetics products in shopping malls, retail outlets and online.

On the basis of the given information, answer the following questions:

- a) Identify and explain the features of business environment being reflected above.



# Answer

**a) Features of environment being reflected in the case study are**

- **Dynamic**
- **Uncertain**
- **Complex**



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# CASE STUDY

‘FIRST MASTERS’ is a leading advertising company in its industry. Recently they had a meeting in which all the reasons which were outside the control of the organisation were discussed. The organisation wanted to maintain its supremacy in the market. They decided to break the meeting into two parts. In the first part customers, competitors, suppliers, etc. were discussed where as in the second part the political, economic, social conditions in the country were discussed. It was concluded that company was doing extremely well in the domestic market and the client base was expanding. However when the company’s performance in foreign markets was evaluated it was found that conditions were different in different countries so the strategies adopted would have to be different. After the meeting the company was looking forward to making new gains. Which features of Business Environment have been highlighted in the above case? Also identify the lines.



# Answer

	<b>Features of business environment</b>	<b>Lines from the case study</b>
1	Totality of external forces	"recently they had a meeting in which all the reasons which were outside the control of the organisation were discussed"
2	Specific and general forces	"In the first part customers ,competitors, suppliers were discussed ;whereas in the second part political, economic and social conditions in the country were discussed"
3	Relativity	"however when the companies performance in foreign market was evaluated it was found that condition for different in different countries are the strategies adopted would have to be different"



- yes -  
you  
DID  
it

# Importance Of Business Environment

Every business should understand the environment in which it works, as it would be difficult for business to survive in the long run if it is unable to adapt itself according to the environment . The knowledge of environment helps in framing policies and plans that can help the business to identify the opportunities and work successfully.



# *Importance of Business environment*

## **TOPPER**

- **T-** Threats and early warnings
- **O-** opportunities and first mover advantage
- **P-** planning and policy formulation
- **P-** Improving performance
- **E-** Helps in coping changes
- **R-** Resources ( tapping resources)



# 1. IDENTIFYING OPPORTUNITIES AND GETTING THE FIRST MOVER ADVANTAGE

Environment provides numerous opportunities for business success. Early identification of opportunities help an enterprise to be the first to exploit them instead of losing them to competitors.



# First Mover Advantage



## 2. IT HELPS FIRM TO IDENTIFY EARLY WARNING SIGNALS

The environment study acts as warning signals for a business to prepare itself to modify its working in advance and to utilize the qualitative information it receives about the competitors.



Ability to identify early warning signal.

### **3. TAPPING USEFUL RESOURCES**

Enterprises depend on the environment as a source of inputs and as an outlet for outputs. Enterprises design policies that allow them to get the needed resources ,so that they can be converted into outputs that the environment desires.

For example: with an increase in demand for LCD monitors firms started arranging raw materials for LCD instead of CRT monitors





## 4. COPING UP WITH RAPID CHANGES

Business environment is getting increasingly dynamic where changes are taking place at a very fast pace. In order to effectively cope with these significant changes, managers must understand and examine the environment and develop a suitable course of action.



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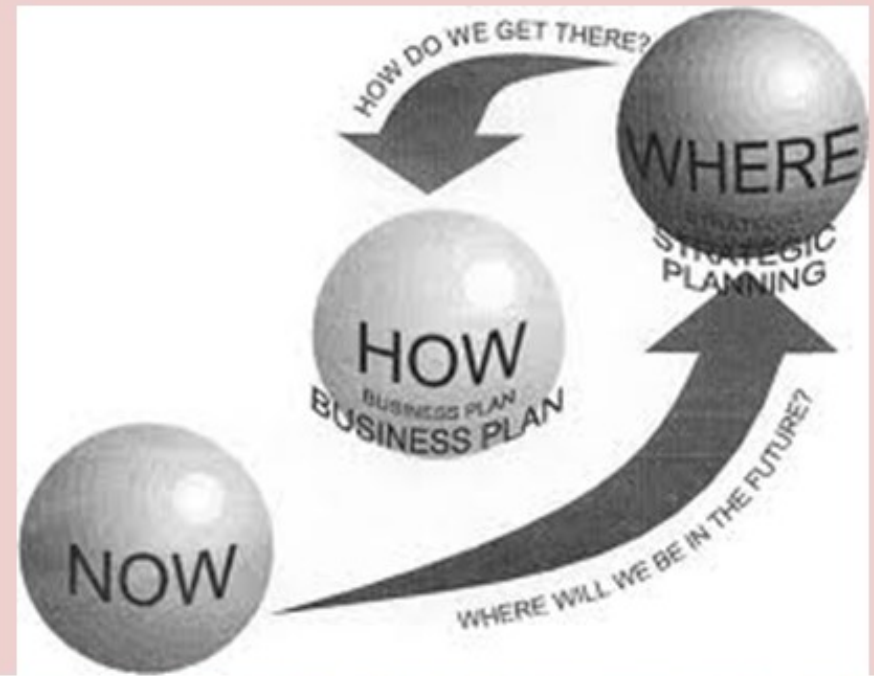
## 5. ASSISTS IN PLANNING AND POLICY FORMULATION

Since environment is a source of both; opportunities and threats for a business enterprise, its understanding and analysis can be the basis for deciding the future course of action (planning) or training guidelines for decision making (policy).



It helps in assisting in planning and policy formulation.

For example : ITC is planning to open hotels after seeing increase in India's share in tourism



## 6. IMPROVES PERFORMANCE

The enterprises that continuously monitor their environment and adopt suitable business practices are the ones which not only improve their present performance but also continue to succeed in the market for a longer period.





## *LET'S CHECK THE PROGRESS*

*Identify the point of importance of business environment from following statements:*

1. A business enterprise assembles various resources called inputs from the environment and supplies the environment with its outputs, such as goods and services. This can be done better by understanding what the environment has to offer.

### ANS-TAPPING USEFUL RESOURCES

2. Bajaj Auto made considerable improvements in its two wheelers when Honda & other companies entered the auto industry.

### ANS- IDENTIFYING EARLY WARNING SIGNALS

3. ITC Hotels planned new hotels in India after observing boom in tourism sector.



ANS- ASSISTS IN PLANNING AND POLICY FORMULATION

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तत् त्वं पूषन् अपावृणु

4. Maruti Udyog became the leader in the small car market because it was the first to recognise the need for small cars in an environment of rising petroleum prices and a large middle class population in India.

### ANS- IDENTIFICATION OF OPPORTUNITY AND GETTING FIRST MOVER ADVANTAGE

5. Correct knowledge of business environment helps an organisation to identify those threats which may adversely affect its operations.

### ANS- IDENTIFYING EARLY WARNING SIGNALS



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# QUESTIONS

1. Understanding of Business Environment helps the firm to identify opportunities to get the \_\_\_\_\_ .

**ANS- FIRST MOVER ADVANTAGE.**

2. Match these following statements with the relevant importance of Business Environment.

i-Keeping in mind what is happening in environment .	a)Helps in policy making .
ii-It acts as a basis for deciding Future course of action for decision-making	b)First mover advantage.
iii-Grab the opportunities before competitors.	c)Helps in improving the performance.
iv-Managers must understand & examine the environment before developing suitable course of actions.	d)Helps coping with rapid changes.



# ANSWER

- i-c
- ii-a
- iii-b
- iv- d



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# Case Study

- Mr. Akhilesh is the managing director of Good Homes Pvt. Ltd. It's a company which is in the business of constructing affordable housing projects in Delhi and Uttar Pradesh. Mr. Akhilesh has the habit of keeping a close eye on the developments that take place in the country which may affect the company. One day he read in the newspaper that the government was working at the development of backward areas of the country and to help the people of such areas it was looking for collaboration with private builders to construct affordable residential complexes and roads in these areas. Mr. Akhilesh immediately takes steps to get the details of the programme and gets the first contract to build a housing complex in a backward area of Jharkhand. The company frames policies and plans keeping the objectives of the project in mind. It uses local resources and talent of the area to build the project. This helps in the development and upliftment of the area.

On the basis of the given information

State the importance of understanding Business Environment



# Answer

- a) Helps to identify the opportunity and getting the first mover advantage.
- b) Helps to identify threats and early warning signals.
- c) Helps in tapping useful resources.
- d) Assists in planning and policy formulation.
- e) Helps in improving performance.



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- yes -  
you  
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it

**DIMENSIONS  
OF  
BUSINESS  
ENVIRONMENT**

# DIMENSIONS OF BUSINESS ENVIRONMENT

- Dimensions of business environment means all factors, forces and institutions which have direct or indirect influence over the business transactions.



# *Dimensions of business environment*

## **STPLE**

S- social environment

T- technological environment

P- political environment

L- legal environment

E- economic environment



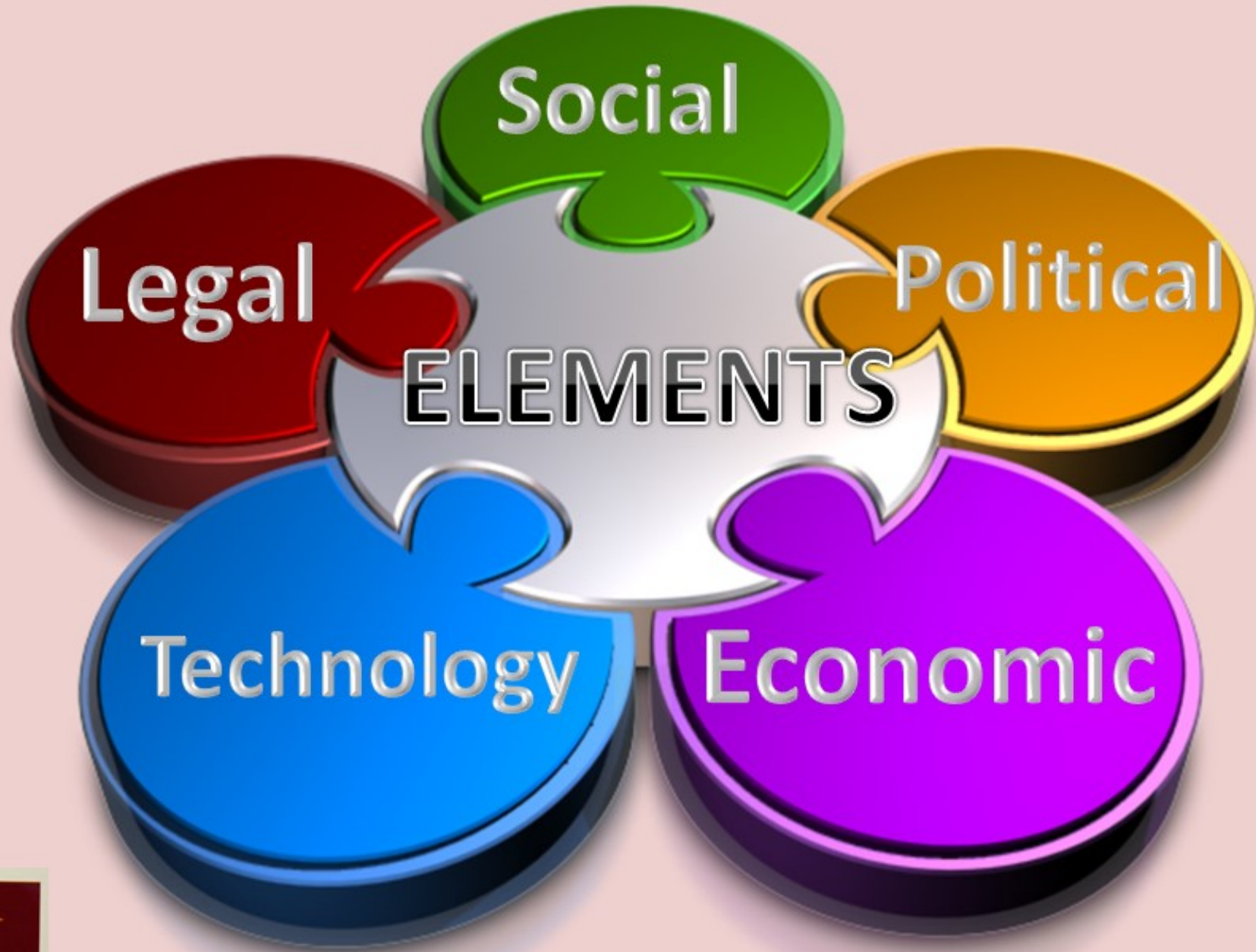
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# Social Environment



Attitude towards product innovations, life-style, occupational distribution and consumer preferences.

## *Technological environment*

- It consist of those factors that are related to the knowledge applied and the materials and machines used in production .Technological changes are most frequently observed in the environment as they provide new approaches to produce goods and services , new procedure , new equipment and a better style of working . Some of its important factors are:





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# ***POLITICAL ENVIRONMENT***

➤ It consists of factors related to the management of public affairs and their impact on the business. India government plays a major role as a planner, promoter, and regulator of economy activities. It includes:

- Political system and ideologies.
- Political parties and structures.
- Passage of laws.



# Political Environment



The constitution of our country and prevailing political system.

# The extent and nature of government intervention on business





**The nature of relationship of our country with foreign countries.**

# LEGAL ENVIRONMENT

- Legal environment includes various legislations passed by the government administrative orders issued by government authorities , court judgments as well as the decisions rendered by various commissions and agencies at every level of the government.



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# *Advertisements*

'Cigarette Smoking is Injurious To Health'.



# *Economic environment*



It consists of factors that are related to the means of production and distribution of wealth, and includes:

- Economic stage of a country.
- Economic structure.
- Economy policies, like industrial policies .



# ECONOMIC ENVIRONMENT

Interest rates , inflation rates , changes in disposable income of people , stock market indices and the value of rupee are some of the economic factors that can affect management practices in a business enterprise .





# LET'S CHECK THE PROGRESS

- I. According to United Nations Environmental Agency , the world produces around 300 million tons of plastic each year , half of which constitutes single-use items. Ford is recycling over one billion plastic bottles every year to develop elements of car's interior , reducing the amount of plastic ending up in landfill. The American car maker has revealed that their Romanian-built EcoSport SUVs' carpets involves shredding bottles and their caps into tiny flakes and then heating them to 260 degree Celsius. Identify the related dimension of business environment:
- a) Economic dimension
  - b) Social dimension
  - c) Technological dimension
  - d) Political dimension

**ANS- (C) TECHNOLOGICAL DIMENSION**



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2.The court passed an order to seal the manufacturing unit of the company as it was dumping its untreated poisonous waste on the river bank which has created many health problems for the people.

### ANS- LEGAL

3.A situation of political unrest erodes confidence of the investors and thereby, makes it difficult for the enterprises to function smoothly.

### ANS- POLITICAL



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4. An Indian car company launched a car in Germany under the brand name 'Soft Mist'. But after a short while the car had to be withdrawn despite its outstanding features and reasonable price. After a lot of research it was found that the lack of demand for the car was because of its brand name, as the word 'mist' meant cow dung in the local language.

**ANS- SOCIAL**

5. Demand for sweets increases on various occasions in India like Diwali , Bhai Dhuj etc.

**ANS- SOCIAL**



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6. Philips, a company manufacturing light bulbs incurred heavy expenditure on scientific Research and Development and discovered a technology that made it possible to produce an energy efficient light bulb that lasts at least 20 times as long as a Standard bulb.

**ANS- TECHNOLOGICAL**



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# Case Study

- Over the years, e-business in our country has witnessed tremendous growth due to several reasons like convenience, time-frame etc. There is significant improvement in the Information Technology infrastructure over the last decade as the Government has taken important steps in high-speed Internet connectivity. As a result, the broadband networks have not only become better but also more affordable. Additionally, Government is trying to make rural India connected through broadband – a great possibility for e-business to expand the retail market by reaching out to the most remote rural customer. Another catalyst strengthening the e-business segment is the country's favourable demography. It has more than 50% of its population below the age of 25 and more than 65% below the age of 35. It is expected that, in the year 2020, the average age of an Indian will be 29 years, compared to 37 for China and 48 for Japan, this promises for phenomenal increase in e-business.

Identify and explain the various dimensions of business environment being referred to in the above case.



# Answer

- A)Technological
- B)Political
- C)Social

(APPROPRIATE EXPLANATION OF EACH DIMENSION IS REQUIRED.)



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- yes -  
you  
DID  
it

# REFORMS 1991



# REASONS FOR IMPLEMENTING LPG

- Excess of consumption and expenditure over revenue resulting in heavy govt. borrowings.
- Growing inefficiency on the use of resources.
- Over protection to industries.
- Mismanagement of the firm and the economy.
- Increase in losses for public sector enterprises.
- Various distortion like poor technological development, shortage of foreign exchange and borrowing from abroad.
- Low foreign exchange reserves.
- Inflation

# INTRODUCTION

July 1991, India has taken a series of measures to structure the economy and improve the BOP position. The new economic policy introduced changes in several areas.

The policy have salient feature which are: -

1. LIBERALISATION (internal and external)
2. Extending Privatization
3. Globalisation of the economy

# Personalities behind LPG Reform

- Mr P.V. Narsimha Rao- Prime Minister
- Dr. Manmohan Singh- Finance Minister



# MEANING

- **Liberalization** is a relaxation of government restrictions, usually in such areas of social, political and economic policy. This may be similar to deregulation.
- **Examples for liberalization**
  1. Abolishing licensing requirement in most of the industries
  2. Freedom in fixing the prices
  3. Freedom in deciding the scale of business activities

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# **POLICIES UNDER LIBERALIZATION**

- Abolition of license except in few Industries.
- No restriction on expansion or contraction of business activities.
- Liberalization in import and export.
- Easy and simplifying the procedure to attract foreign capital in India.
- Freedom in movement of goods and services.
- Freedom in fixing the prices of goods and services

# MEANING

- **Privatization** : The transfer of ownership, property or business from the government to the private sector is termed **privatization**. The government ceases to be the owner of the entity or business. The process in which a publicly-traded company is taken over by a few people is also called **privatization**.
- **Example for privatization**
  1. Sale government sector to private sector
- **METHODS**
  1. FRANCHISING
  2. LEASING
  3. CONTRACTING
  4. DISINVESTMENT

# **POLICIES UNDER PRIVATIZATION**

- Disinvestment of public sector, i.e., transfer of public sector enterprise to private sector.
- Setting up of Board of Industrial and Financial Reconstruction (BIFR). This board was set up to revive sick units in public sector enterprises suffering loss.
- Dilution of Stake of the Government. If in the process of disinvestments private sector acquires more than 51% shares then it results in transfer of ownership and management to the private sector.

# MEANING

○ **Globalization** the process by which businesses or other organizations develop international influence or start operating on an international scale.

• EXAMPLE-

ORGANISATIONS SUCH AS RED CROSS RESPOND QUICKLY TO THE DISASTERS AROUND THE WORLD.

# POLICIES UNDER GLOBALIZATION

- Import Liberalization. Government removed many restrictions from import of capital goods.
- Foreign Exchange Regulation Act (FERA) was replaced by Foreign Exchange Management Act (FEMA)
- Rationalization of Tariff structure.
- Abolition of Export duty.
- Reduction of Import duty.



# LET'S CHECK THE PROGRESS

1. Main component of New Economic Policy are \_\_\_\_\_ , \_\_\_\_\_ and \_\_\_\_\_ .

**ANS- Liberalisation , Privatisation and Globalisation .**

2. Booking of railway tickets through internet comes under the preview of:
- |                          |                              |
|--------------------------|------------------------------|
| a) Social Environment    | c) Economic Environment      |
| b) Political Environment | d) Technological Environment |

**ANS- d) Technological Environment**

3. Which of the following is an example of Social Environment:
- |                             |                                     |
|-----------------------------|-------------------------------------|
| a) Money supply in economy. | c) The constitution of the country. |
| b) Technological shifts.    | d) Composition of family.           |

**ANS- d) Composition of family**



4. Reduction in the role of Public Sector is due to:
- a) Globalisation
  - b) Privatisation
  - c) Political Environment
  - d) Liberalisation

**ANS- b)Privatisation**

5. Management of every enterprise can benefit from being unaware of “Dimensions” instead of being interested in them as they can’t be exactly predicted. [TRUE/FALSE]

**ANS- . FALSE**



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# Case Study

“Zero Defect Zero Effect” (ZED) is a slogan coined by the Prime Minister of India, Narendra Modi with reference to the Make in India initiative launched by the government. The slogan reflects the efficiency of production processes, i.e. the products have no defects and the process through which the product is made has zero adverse environmental and ecological effects. The Zed model aims to make India the manufacturing hub of the world and prevent the products developed in India from being rejected by the global market. Moreover, before the initiative was launched, the limits of foreign direct investment in various sectors had been relaxed. The application for licences was made available online and the validity of licences was increased to three years. Various other norms and procedures were also relaxed by the government.

In the light of the above paragraph, identify and explain the major component of New Economic Policy of 1991 that are being referred to, by quoting lines from the paragraph.



# Answer

	<b>COMPONENT OF ECONOMIC POLICY</b>	<b>LINES TO BE QUOTED</b>	<b>EXPLANATION OF THE CONCEPT.</b>
1	<b>Liberalisation</b>	<b>" The limits of Foreign direct investment in various sectors have been relaxed"</b>	<b>Liberalisation means removal of unnecessary controls and restrictions on business.</b>

- yes -  
you  
DID  
it

# IMPACT OF(LPG) GOVERNMENT POLICY CHANGES ON BUSINESS AND INDUSTRY

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# ***1. INCREASING COMPETITION:***

*Due to the change in rules of industrial licensing and entry of foreign firms the competition for Indian firms has increased.*



## ***2. MORE DEMANDING CUSTOMERS***

*Due to increased competition in the market customers now have a wider choice in purchasing better quality goods and services.*



### **3. Rapidly Changing Technological Environment:**

- Increased competition forces the firm to develop new ways to survive and grow in the market. New technology makes it possible to improve production process.*



## 4. Necessity For Change:

- *After 1991 market forces have become turbulent as a result of which the firms have to modify their operations continuously.*





## 5. Need For Developing Human Resources:

*New market conditions require people with higher competence and greater commitment. Hence the need for developing human resources.*

**Human Resource in Vietnam Higher Education**

	University	College
Number of schools	87	127
Total number of Lectures	28434	11551
Doctoral degree holder	20.23%	3.21%
Master's degree holder	33.14%	21.13%
Bachelor's degree holder	45.74%	70%
Associate Bachelor's degree holder		5.66%
Students per Lecturer	28.67/1	14.22/1
Students per A. Prof or Prof	617	



## 6. Market Orientation:

*Earlier firms used to produce first and go to market for sale later. Now those firms first analyse the market and then produce the goods.*



## *7. Loss Of Budgetary Support:*

*Support for financing public sector outlays has declined over the years. Now public sector undertakings have realized that, in order to survive and grow, they will have to be more efficient and generate their own resources for the purpose.*





# LET'S CHECK THE PROGRESS

1. Identify the points of impact of government policy changes in business and industry from following statements:
  - a) Today firms produce those goods & services which are required by the customers but earlier they use to produce goods without knowing the needs of customers

## ANS- MARKET ORIENTATION

- b)The budgetary support given by the government to the public sector is reducing

## ANS- LOSS OF BUDGETARY SUPPORT TO PSUs

- c)Indian firms have to compete with Multinational companies

## ANS-INCREASE IN COMPETITION



### Efforts By:-

Mrs. Neeru Sethi, G D Goenka Public School, New Delhi

Mrs. Pragya Sharma, Sunbeam Suncity School & Hostel, Varanasi

Ms. Anjali Jaghdev, MGD Girls School, Jaipur

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d)The changing market conditions of today requires people with higher competence and greater commitment

### ANS-NEED FOR DEVELOPING HUMAN RESOURCE

e)Now customers are more aware and they keep maximum information of the market as the result of which now market is customer/buyer oriented

### ANS- MORE DEMANDING CUSTOMERS

f)Change in the various components of business environment has made it necessary for the business firms to modify their policies & operations from time to time.

### ANS- NECESSITY FOR CHANGE

g) Increased competition forces the firms to develop and adopt new technologies to survive and grow in the market.



### ANS- RAPIDLY CHANGING TECHNOLOGICAL ENVIRONMENT

- yes -  
you  
DID  
it

# Demonetization - Meaning

**Demonetization** is the act of stripping a currency unit of its status as legal tender. It occurs whenever there is a change of national currency: The current form or forms of money is pulled from circulation and retired, often to be replaced with new notes or coins.





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## **Demonetization History and Background In India?**

- **This is not the first time, when Indian Currency was Demonetized in India .**
- **Earlier it was done in 1946 with the complete ban of Rs. 1,000 and Rs. 10,000 Notes to deal with the unaccounted money i.e. Black Money.**
- **Second time, it was done in 1978 by Govt. headed by Mr. Morar ji Desai when Rs. 1,000, Rs. 5,000 and Rs. 10,000 Notes were demonetized.**

# Demonetization

**Announced by  
Government of India  
on November 8,  
2016**

**Large denomination  
notes - Rs500 &  
Rs1,000 were  
demonetized**

**Restrictions placed on cash  
withdrawals, convertibility of  
domestic money and bank  
deposits**

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## Aims of Demonetization

To curb  
corruption

To curb  
counterfeiting the  
use of high  
denomination  
notes for illegal  
activities

To curb  
accumulation of  
black money

# Features of Demonetization

- Tax administrative measure
- Tax evasion will no longer be accepted
- Channelising tax savings into formal financial system
- Creation of cashless economy

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## Impact of Demonetization

- Decline in cash transactions
- Bank deposits increased
- Increase in financial savings
- Real estate prices fell
- Digital transactions increased
- Rise in income tax collection

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# LET'S CHECK THE PROGRESS

1. The aim of demonetisation:
  - a) To curb corruption
  - b) To curb the accumulation of black money
  - c) To counterfeiting the use of high denomination notes for illegal activities
  - d) All of the above

ANS- d) All of the above

2. \_\_\_\_\_ is viewed as a tax administration measure.

ANS- DEMONETISATION



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3. Demonetisation is the act of removing a currency unit of its status as \_\_\_\_\_ .

**ANS- LEGAL TENDER**

4. Demonetisation is to create a less-cash or cash-lite economy.  
[TRUE/FALSE]

**ANS- TRUE**



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## LET'S CHECK THE PROGRESS

**What is the impact of Demonetisation on following  
(Increase ,decrease or no effect)**

**(a)Public wealth**

**ANS- NO CHANGE**

**(b) Private wealth**

**ANS- DECREASE**



**c) Real estate**

**ANS-DECREASE**

**(d) Tax collection**

**ANS- INCREASE**

**(e) Digitisation**

**ANS- INCREASE**

**(f) Interest rates**

**ANS- DECREASE**



# CASE STUDY

After the announcement of demonetisation of Rs500 and Rs1000 by the Government of India, there has been a sharp increase in the number of mobile applications like Paytm, PayPal, e-wallet etc. Usage of digital currency payment systems driven by UPI, wallets and cards is on the rise as customers are opting for ecommerce platforms. There have been very strong reactions from on platforms like Facebook, Twitter, Instagram etc. where some groups are supporting while others groups are opposing it. On the basis of the above information.

- a) Define the term ‘ demonetisation’.
- a) Enumerate the various impacts of demonetisation.



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# ANSWER

**1. Demonetisation:** The act to cease a currency unit or put an official stop on its status as a legal tender is known as demonetisation. Demonetisation is the process that involved change of national currency, where old currency is replaced with new currency. The circulation of a specific currency unit is stopped, followed by the withdrawal of old banknotes or coins.

## 2. THE FOLLOWING ARE THE IMPACTS –

- a) Decline in cash transactions
- b) Bank deposits increased
- c) Increase in financial savings
- d) Real estate prices fell
- e) Digital transactions increased
- f) Rise in income tax collection



- yes -  
you  
DID  
it

# Managerial Responses To Change in the Business Environment.

## Efforts By:-

Mrs. Neeru Sethi, G D Goenka Public School, New Delhi

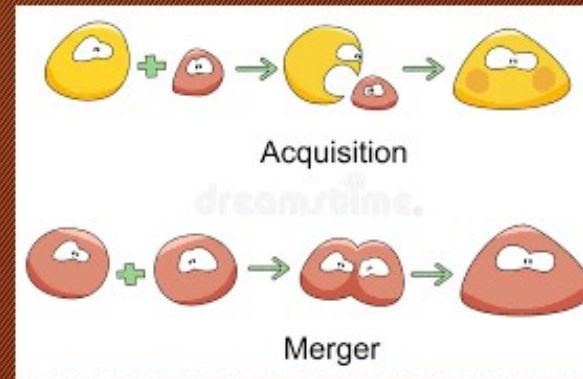
Mrs. Pragya Sharma, Sunbeam Suncity School & Hostel, Varanasi

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## Concrete Steps taken

- ❖ Acquisitions and Mergers
- ❖ Diversification
- ❖ Brand Building
- ❖ Customer focus
- ❖ Compensation level
- ❖ Joint Venture



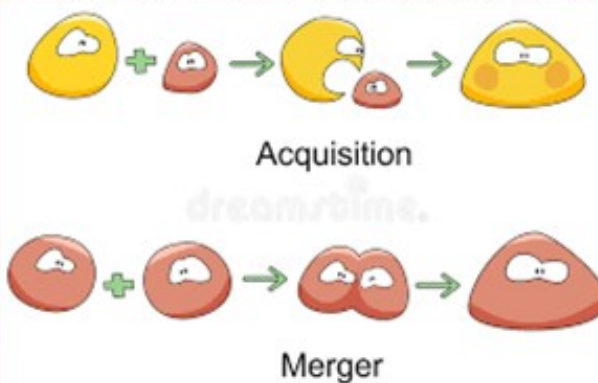
### Examples – Related

Johnson & Johnson



# Acquisitions and Mergers:

Merger is external growth strategy where two or more firms combine together. Acquisition/ takeovers = purchase of one company by another company by acquiring the whole or part of the shares or other assets in exchange for payment in cash/ other assets/ equity of the acquiring company. The acquired company continues to exist as a separate entity. These are done with a view to achieve market domination, ease market entry, expand a firm's product range and attain core competencies or to have access to better technology.



Zomato acquired Uber Eats



#TogetherIsBetter

bingage



# Diversification

- Diversification is the process of entering into a field of business which is new to the enterprise i.e, exploring new markets or use of new technology.



# Consolidation of MNCs

Joint venture is when two or more firms establish a new enterprise by contributing to total equity capital and participating in business operations. Eg., Ford and Mahindra



# Brand Building:

It helps in building the brand name of the company

**BRANDED HOUSE**

**SUB-BRANDS**

iPad Pro

iPhone

Apple WATCH

Apple MUSIC

Apple Pay

**ENDORSED BRANDS**

**HOUSE OF BRANDS**

**Brand Development Strategies**

		Product Category	
		Existing	New
Brand Name	Existing	<p><b>Line Extension</b></p>	<p><b>Brand Extension</b></p>
	New	<p><b>Multibrands</b></p>	<p><b>New Brands</b></p>

Source: Kotler, A. 2010, Principles of Marketing Fourth Edition, Prentice Hall: USA

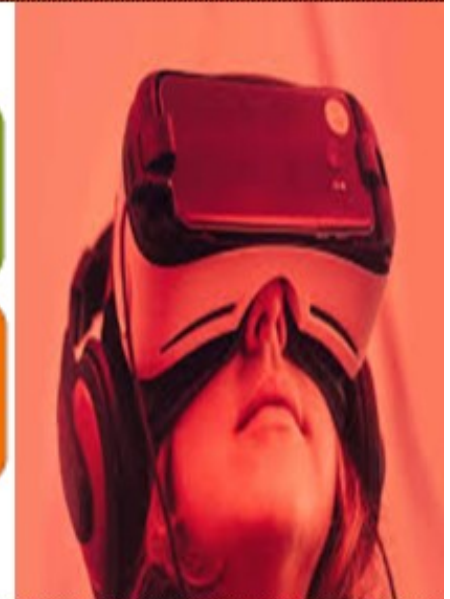
# Customer Focus:

- The shift towards satisfying growing customer needs have ensured that the companies need to come up with innovative products



Customers who adopt later tend to make decisions differently; target segment is now direct and end customers who make decisions mostly on price

Early adopters, both direct and end customers, are not as price-sensitive and make decisions based on non-price factors



# Compensation level:

Compensation level for specialized managerial and technical staff improved and incentive schemes related to performance are being implemented very commonly now.





# QUESTIONS

1. Relate the challenges being faced by business/industry due to the government changes:
  - a) Need to study and analyse the market first and product goods accordingly.
    - i. Losses of budgetary support to the public sector.
    - ii. Need for developing human resources.
    - iii. More demanding customers.
    - iv. Market orientation
  - b) Increased competition in the market gives the customers wider choice in purchasing better quality of goods and services .
  - c) The public sector undertakings have to be more efficient and generate their own resources.
  - d) The new market conditions requires people with higher competence and greater commitment.

# Answers

1. Relate the challenges being faced by business/industry due to the government changes:

a) Need to study and analyse the market first and product goods accordingly.

b) Increased competition in the market gives the customers wider choice in purchasing better quality of goods and services .

c) The public sector undertakings have to be more efficient and generate their own resources.

d) The new market conditions requires people with higher competence and greater commitment.

iv **Market orientation**

iii **More demanding customers.**

i **Losses of budgetary support to the public sector.**

ii **Need for developing human resources**



## Identify the points of Managerial responses to changes in Business Environment to its related statement:

- 1 Multinationals are also entering the core sectors of the Indian economy through joint ventures.
- 2 Reliance is now also in the business of communications, retail chains etc. Likewise, they are bold enough to diversify into other business lines.
- 3 Heavy expenditure was incurred on launching of Korean brands such as Hyundai, LG, Samsung, etc. Indian companies are also doing likewise.
- 4 Mergers between ACC Gujarat, Ambuja Cement, Hindustan Aluminium Co and Indian Aluminium Co to gain market dominance, market entry, expand product range and obtain core competencies.
- 5 Use of latest technology has become the slogan of the successful companies
- 6 The starting salary of engineering and management graduates have risen significantly.

**1. Joint venture**

**2. Diversification**

**3. Brand building**

**4. Merger & Acquisitions**

**5. Use of technology**

**6. Compensation policy**

- yes -  
you  
DID  
it

# KEY WORDS AND UNDERLYING CONCEPTS

**Business Environment**

**Sum total of external forces or factors**

**Opportunities**

**Positive external trends which help of form to improve performance**

**Threats**

**Negative external trains which hamper a firm's performance**

**Specific forces**

**Affect individual enterprises directly and immediately**

**General forces**

**Affect a large number of firms and may affect an individual firm only indirectly**

**Relativity**

**Differs from region to region**



# KEY WORDS AND UNDERLYING CONCEPTS

<b>Complexity</b>	<b>Includes closely interrelated factors</b>
<b>Uncertainty</b>	<b>Difficult to predict future happenings</b>
<b>Social environment</b>	<b>sum total of societies beliefs, customs, practices and behaviour</b>
<b>Technological environment</b>	<b>Invention of new machines, upgrading technology</b>
<b>Legal environment</b>	<b>Set of rules ,regulations and laws of land</b>
<b>Political environment</b>	<b>Attitude of elected government representatives towards business</b>

# KEY WORDS AND UNDERLYING CONCEPTS

<b>Liberalisation</b>	<b>Abolition of licences</b>
<b>Privatisation</b>	<b>Disinvestment of public sector</b>
<b>Globalisation</b>	<b>Integration of economy with rest of the world</b>

A close-up photograph of a white card with the words "Thank you" written in a purple, cursive script. The card is placed on a light-colored surface. To the left of the card is a small bouquet of purple flowers with green leaves. To the right of the card is a black pen with a white textured grip and a piece of red and white striped twine. The twine is coiled and draped over the right side of the card and the pen.

Thank  
you