

St. Peter's Senior Secondary School

Commerce

Business Studies (054)

Assignment 4

A quick recap of the chapter : Business Environment

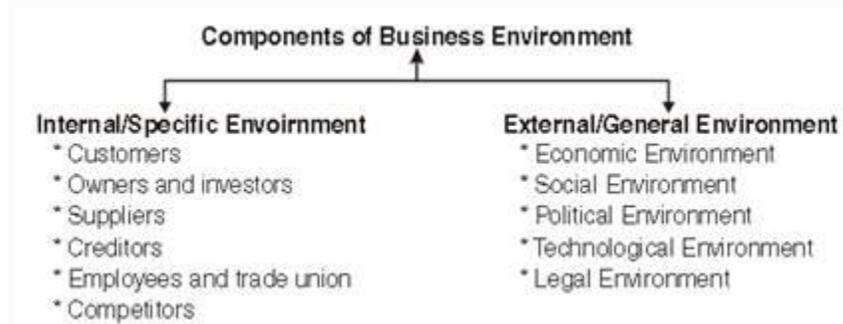
Meaning of Business Environment:

Business environment refers to forces and institutions outside the firm with which its members must deal to achieve the organisational purposes. Here

- Forces = economical, social, political, technological etc
- Institutions = suppliers, customers, competitors etc

It includes all those constraints and forces external to a business within which it operates.

- It implies that the firm must be aware of these external forces and institutions.



FEATURES OF BUSINESS ENVIRONMENT

- 1. Totality of external forces:** Business environment is the sum total of all the forces/factors external to a business firm.
- 2. Specific and general forces:** Business environment includes both specific and general forces. Specific forces include investors, competitors, customers etc. who influence business firm directly while general forces include social, political, economic, legal and technological conditions which affect a business firm indirectly.
- 3. Inter-relatedness:** All the forces/factors of a business environment are closely interrelated.
- 4. Dynamic:** Business environment keeps on changing.
- 5. Uncertainty:** Business environment is difficult to predict.
- 6. Complexity:** Business environment is difficult to understand in totality.
- 7. Relativity:** Business environment is a relative concept whose impact differs from country to country, region to region and firm to firm.

IMPORTANCE OF BUSINESS ENVIRONMENT

- 1. Identification of opportunities to get first mover advantage:** Helps an organization in identifying advantageous opportunities prior to competitors,

2. Identification of threats: Correct knowledge of business environment helps an organization to identify those threats which may adversely affect its operations.

3. Tapping useful resources: Business environment makes available various resources such as capital, labour, machines, raw material etc. to a business firm.

4. Coping with Rapid changes: Continuous study helps in knowing the changes so can be faced effectively.

5. Assistance in planning and policy formulation: Understanding and analysis of business environment helps an organization in planning & policy formulation.

6. Helps in Improving performance: Correct analysis and continuous monitoring of business environment helps an organization in improving its performance.

ECONOMIC ENVIRONMENT IN INDIA

As a part of economic reforms, the Government of India announced New Economic Policy in July 1991 for taking out the country out of economic difficulty and speeding up the development of the country.

The three main strategies adopted for the above may be defined as follows:

1. Globalisation:

Integrating the economy of a country with the economies of other countries to facilitate freer flow of trade, capital, persons and technology across borders. It leads to the emergence of a cohesive global economy.

2. Liberalisation:

Liberalising the Indian business and industry from all unnecessary controls and restrictions. That is relaxing rules and regulations which restrict the growth of the private sector and allowing the private sector to take part in economic activities that were earlier reserved for the government sector.

3. Privatization:

It refers to the reduction of the role of the public sector in the economy of a country.

DIMENSIONS/COMPONENTS OF BUSINESS ENVIRONMENT

1. Economic Environment: Rate of interest, inflation rate, change in the income of people, monetary policy, price level etc. is some economic factors which could affect business firms

2. Social Environment: It includes various social forces such as customs, beliefs, literacy rate, educational levels, lifestyle, values etc.

3. Technological Environment: It provides new and advance ways/techniques of production.

4. Political Environment: Changes in political situation in the country also affect business organizations.

5. Legal Environment: It constitutes the laws and legislations passed by the Government, administrative orders, court judgments, decisions of various commissions and agencies.

DEMONETISATION

The Government of India announced demonetisation of the two largest denomination currency notes, 500 and 1,000. As a result, the existing 500 and 1000 currency notes ceased to be legal tender. This led to 86% of the money in circulation invalid.

Demonetisation is the act of the government to cancel the legal tender status of a currency unit in circulation. The aim of demonetisation was to curb corruption, counterfeiting the use of high denomination notes for illegal activities; and especially the accumulation of 'black money' generated by income that has not been declared to the tax authorities.

FEATURES OF DEMONETISATION

- 1. Demonetisation is viewed as a tax administration measure:** Cash holdings arising from declared income was readily deposited in banks and exchanged for new notes. But those with black money had to declare their unaccounted wealth and pay taxes at a penalty rate.
- 2. Demonetisation is also interpreted as a measure to improve tax compliance:** It indicated that tax evasion will no longer be tolerated or accepted. Tax collection increased because of increased disclosure. Tax evasion decreased.
- 3. Demonetisation also led to channelising savings into the formal financial system:** Bank deposits increased .However, interest rates decreased.
- 4. Demonetisation is aimed to create a less-cash or cash lite economy:** Cash transactions declined. Digital transactions increased involving the use of. RuPay cards and Debit cards, Aadhar Enabled Payment System (REPS), etc. Though there are arguments against this as digital transactions require use of cell phones for customers and Point-of-Sale (PoS) machines for merchants, which will only work if there is internet connectivity. On the contrary, these disadvantages are counterbalanced by an understanding that it helps people into the formal economy, thereby increasing financial saving and reducing tax evasion

IMPACT OF GOVERNMENT POLICY CHANGES ON BUSINESS AND INDUSTRY

- 1. Increasing Competition:** De-licencing and entry of foreign firms Indian market is increased the level of competition for Indian firms.
- 2. More Demanding Customers:** Now customers are more aware and they keep maximum information of the market as the result of which now market is customer/buyer oriented.
- 3. Rapid Changing Technological Environment:** Rapid Technological advancement has changed/improved the production process as a result of which maximum production is possible at minimum cost but it leads to tough challenges in front of small firms.
- 4. Necessity for Change-** After New Industrial Policy the market forces (demand & supply) are changing at a very fast rate. 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.
- 5. Need for Developing Human Resources:** The changing market conditions of today requires people with higher competence and greater commitment, hence there is a need for developing human resources which could increase their effectiveness and efficiency.

6. Market Orientation: Today firms produce those goods & services which are required by the customers. Marketing research, educational advertising, after sales services have become more significant.

7. Reduction in budgetary Support to Public Sector: The budgetary support given by the government to the public sector is reducing thus the public sector has to survive and grow by utilising their own resources efficiently.

OBJECTIVE TYPE QUESTION

State whether the following statements are true or false.

1. Business enterprise is a position to influence its environment.
2. Business environment is static.
3. Business environment includes factors external to the business firm.
4. Business environment helps the firm to identify the opportunities for the business.
5. Prime minister Mr Narendra Modi launched a campaign of Swachh Bharat. It is an example of political environment.
6. People in various parts of India have become more careful in aware about the cleanliness around their area. This statement is an example of political environment.
7. Foreign exchange reforms are a part of globalisation.

FILL IN THE BLANKS WITH APPROPRIATE ANSWER IN THE GIVEN SPACE.

8. Business environment includes the factors ___ to the business firm. (internal external)
9. Customers and competitors are example of ___ forces. (general, specific)
10. Demonetization of currency notes of ₹500 and ₹ 1000 announced by the prime minister of India is an example of ___ environment. (economic, political)
11. Nowadays people prefer buying railway ticket through internet. This dimension is an example of ___ environment. (social, technological)
12. Passing of Companies Act 2013 is a component of ___ environment. (legal, economic)
13. Celebration of valentine day has provided significant opportunities for greeting card companies. It is an example of ___ environment. (economic, social)
14. Economic reforms were introduced in India in _____. (1991, 2000)

Answer the following questions in about 100 words.

15. Define business environment? State any three of its features.
16. "Understanding of environment by business manager enables them not only to identify and evaluated also to meet to the forces external to their firm." In the light of the statement explain any four points of business environment.
17. State the objectives of demonetization.
18. Yogesh is a 9 year old boy. As his mother's birthday was drawing closer he wanted to buy a gift for her from his pocket. He decided to empty out his piggy bank calculated his total savings

as ₹ 3000 shared his plan with his father. His father agreed to take him to a nearby mall to buy a gift .Yogesh selected a beautiful handbag for his mother ₹ 3000 at a store .When he handed over the money from his piggy bank to the shopkeeper , he refused to accept ₹500 notes saying that it is no longer valid currency .Yogesh was surprised at this .Then his father explained to him what the shopkeeper was saying is true .As that particular type of 500 rupee note have been discontinued by the government .

a) Identify the concept discussed in the above case because of which a currency note becomes invalid.

b) State any three features of the concept as identified in part a) above.

Answer the following question in about 150 words.

19. The court passed an order to ban polythene bags as

i) these bags were creating many environmental problems which affect the life of people in general.

ii) society in general is not concerned about quality of life.

Identify the different dimensions of business environment by coating the line from the above particulars.

Note: For the next Assignment study Chapter 4: Planning (Book 1 NCERT)

In case you do not have the textbook you may follow the links given below

http://ncertbooks.prashanthellina.com/class_12.BusinessStudies.BusinessStudiesI/4.pdf

OR

<https://youtu.be/uzBqpZEzxQ0>

<https://youtu.be/pRdWDXFhouY>

https://youtu.be/FNTIIY5_paQ

OR

Watch videos on: iDream Learning App