

The background features abstract, flowing light trails in shades of purple and blue against a black background. The trails are dynamic and appear to be moving across the frame, creating a sense of energy and motion.

Class 12

Business Studies

Chapter – 3 Focus Area 2022

Business Environment

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Business Environment

Environment refers to the surroundings in which a person or organization operates



Business environment means the political, social, economic, technological and cultural forces outside a business firm with which the entity deals

Business Environment

The environment also includes institutions like suppliers, customers, competitors, financiers and the government with which the firm has to deal in order to achieve its goals



Business Environment

Business environment may sometimes provide opportunities for growth as well it may constrain (threat) the growth of an organisation

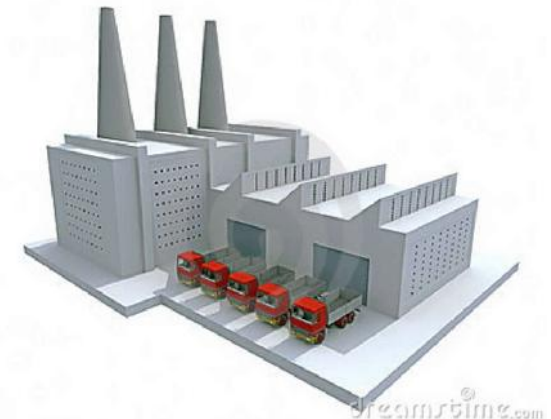


Opportunities: BPO reduces cost of production, emerging demands for houses etc.

Threats: High cost of electricity, Government control on using ground water etc.

Importance of Business Environment

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Importance of Business Environment

1

Identification of business opportunities and getting the first mover advantage

Identification of opportunities at an early stage helps the firm to be able to exploit them without losing them to competitors



E.g., Maruthi Udyog Ltd. became the leader in the segment of small car market.

Importance of Business Environment

2

Identifying threats and early warning signals

Environmental awareness helps the managers to identify various threats; it provides the business early warning signals to plan its future course of action



Eg: Entry of multinational companies in Indian market gave a warning signals for the domestic industries to make some preparations like cost reduction, improving quality, reducing wastages etc.

Importance of Business Environment

3 Tapping useful resources

Environment provides various resources to the business like materials, machinery, water, finance, electricity, labour etc.



Importance of Business Environment

4 Coping with rapid changes

Business environment is highly dynamic such as change in market condition, technology, competition etc.



To cope with these changes managers must be dynamic.
This is possible through proper environment scanning

Importance of Business Environment

5 Assisting in planning and policy formulation

Environment scanning gives vital information which can be taken as the basis for deciding future course of action (planning) or framing guidelines for decision making (policy formulation)



Importance of Business Environment

6 Helps in improving performance

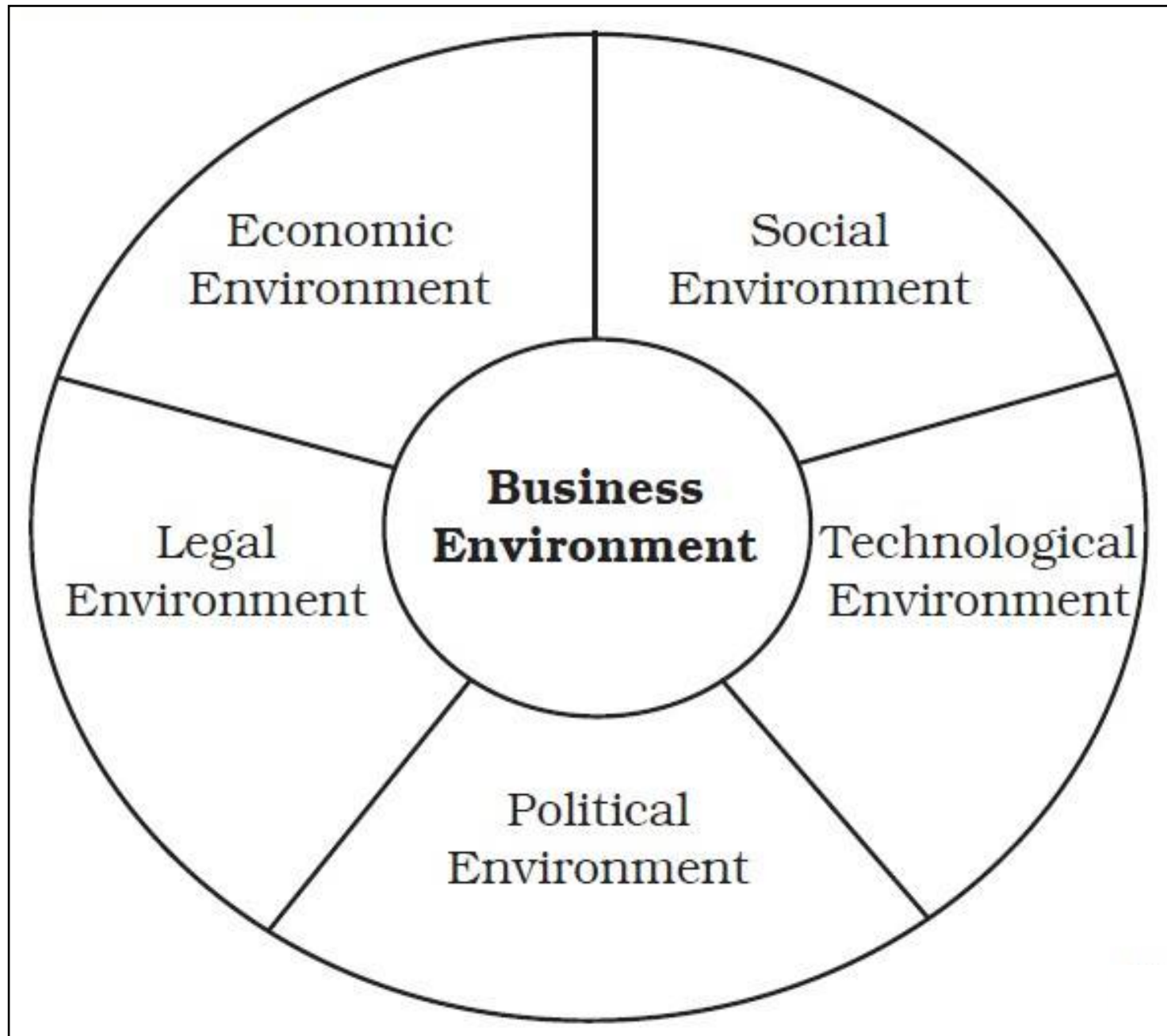
Those enterprises which continuously monitor their environment and adopt suitable policies will improve their performance





Dimensions or Factors of Business Environment

Factors of Business Environment



Factors of Business Environment

1 Economic Environment

Economic policies of Government may favourably affect the business whereas it may adversely affect some others



Import restriction on some goods may give advantage to home industries producing such goods, while, liberalization on import attracts foreign producers may create difficulties to home producers

Factors of Business Environment

2 Social Environment

A business gets its inputs from society and returns the output again to the society according to its needs



The social environment is made up of population trends, individual needs and cultural factors

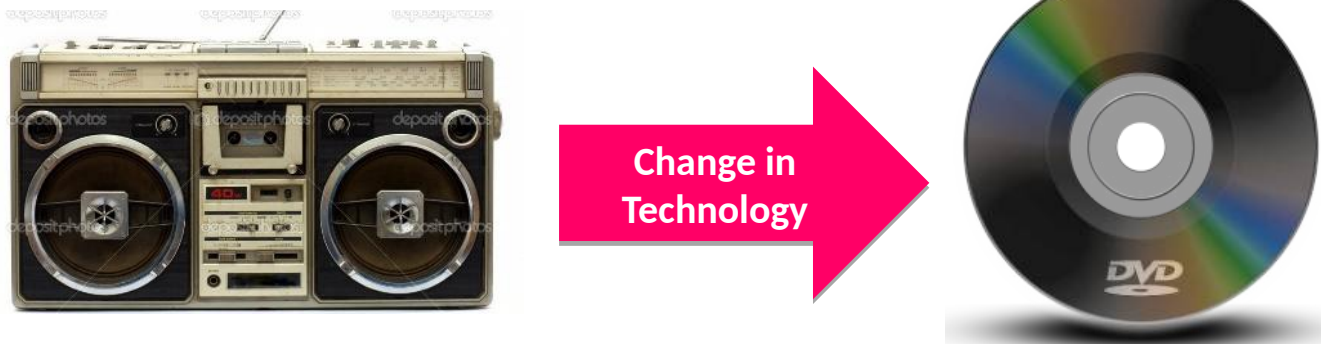
The business should adopt a strategy which should be suitable for social and cultural environment

Factors of Business Environment

3 Technological Environment

Production methods and services are fast changing

New instruments and new procedures are developing rapidly



Computer aided production system made a drastic change in the business sector

Eg: CDs and DVDs wiped out Video Cassettes and Tape recorders

Factors of Business Environment

4 Political Environment

Political environment includes political parties and their ideology, type of government (single or coalition-union of different parties), stability of the government, policy towards business etc.



Eg: Coca-Cola Multi National Company discontinued its operations in India in the late seventies due to government policy. Again in 1989 another government welcomed such multinational companies to India

Factors of Business Environment

5 Legal Environment

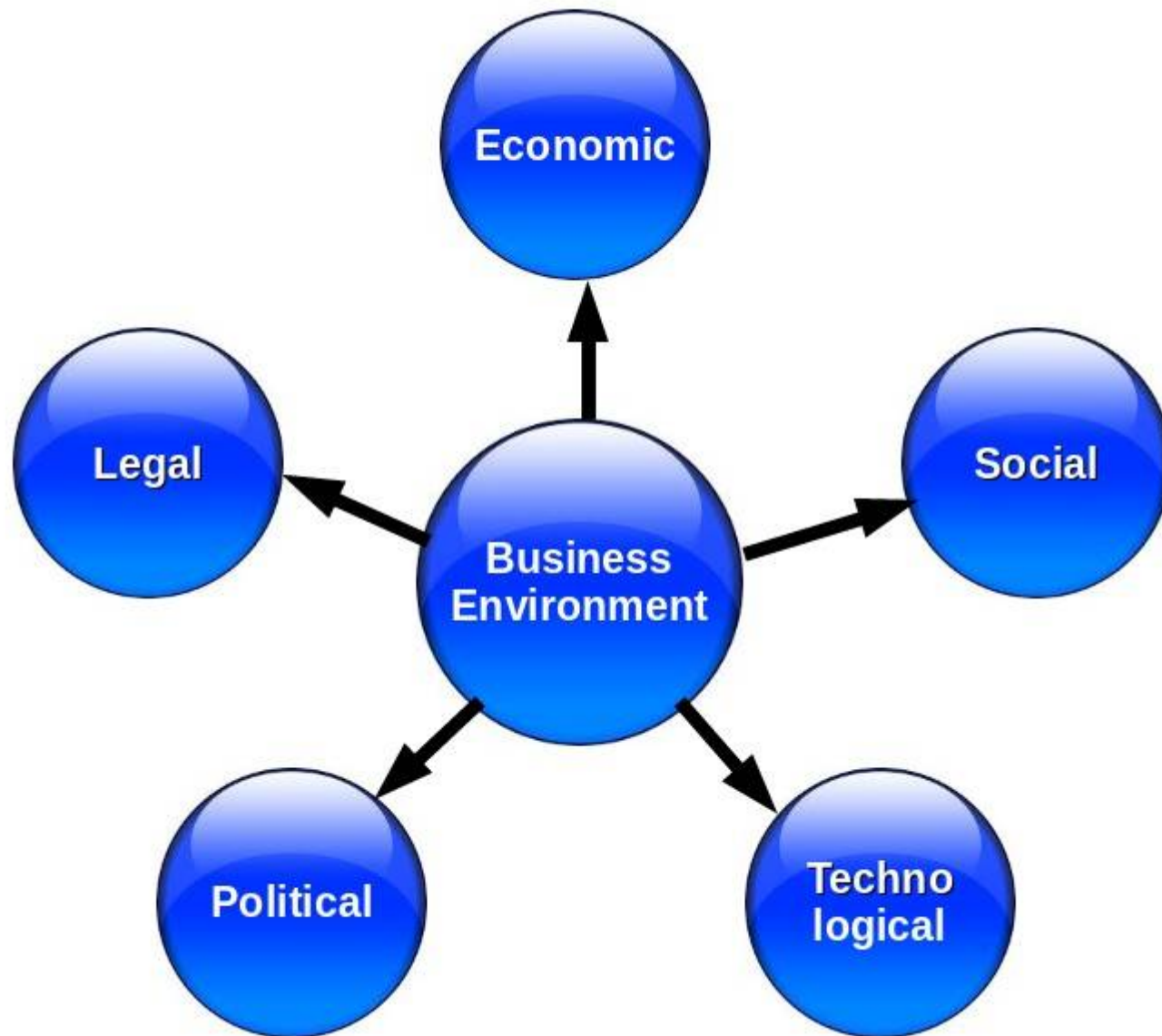
It includes the Acts that have been passed by the Central and the State Governments



The laws related to business made by government are of utmost importance

All members of business community must follow these laws

Factors of Business Environment





Economic Environment in India

Economic Environment in India

Till 1991 India followed an economic policy with a socialist bias



The policy was based on the primacy of public sector and control and regulations on private sector

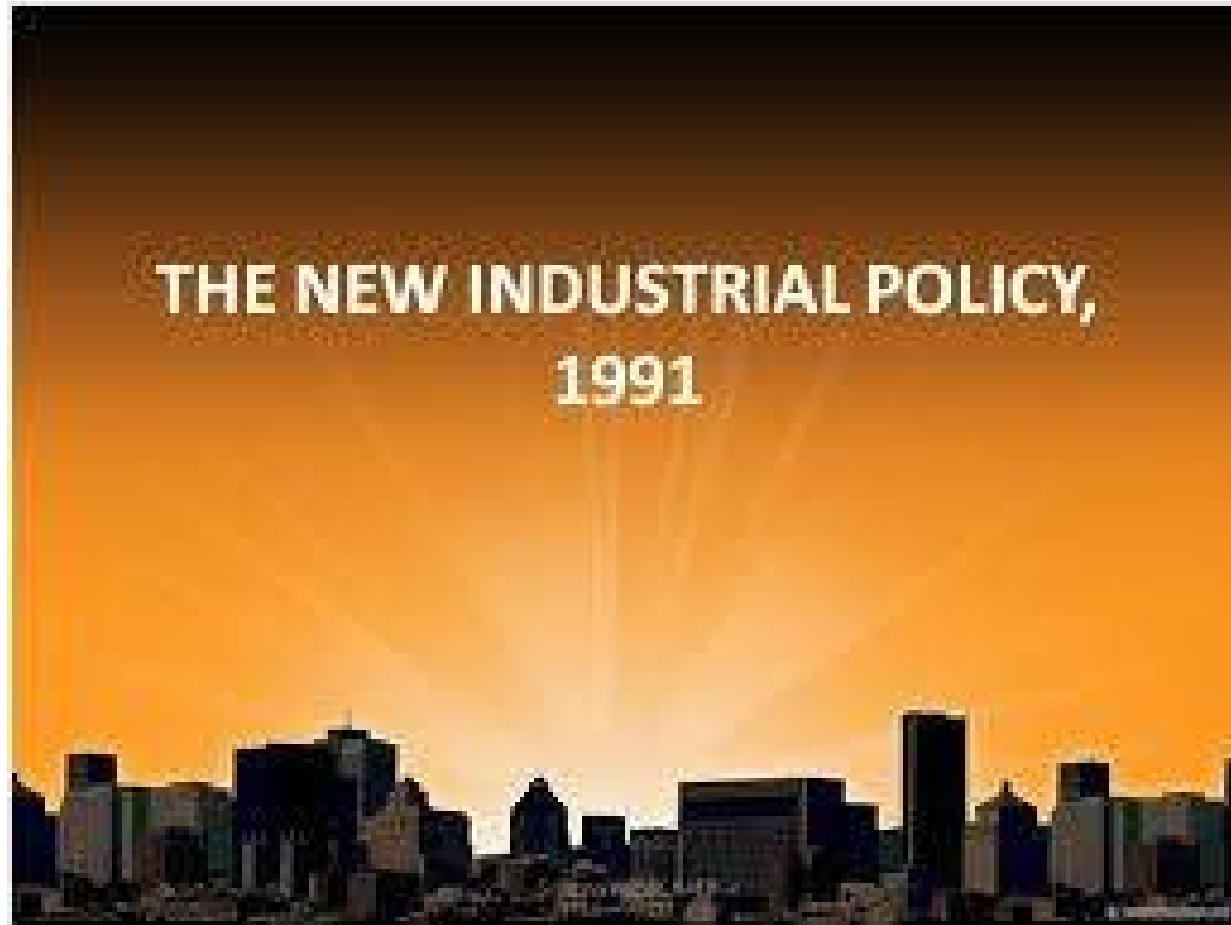
Economic Environment in India

From 1991 onwards the Government started implementing sweeping economic reforms

As part of economic reforms, the government of India announced a new industrial policy in 1991



Industrial policy 1991



Major Programs of Industrial Policy 1991

Major Programs of Industrial Policy 1991



Liberalisation

Liberating the economy from the regulations and restrictions on economic growth



The old policy of licenses, permits, quotas and controls discouraged private enterprises.

Import licensing, foreign exchange regulations, progressive taxes, price controls, etc. discouraged investments

Liberalisation

Acts like MRTP Act prevented large business houses from fresh investment, expansion and modernization

All these policies adversely affected industrialization and economic growth



The new policy of liberalization through de-licensing and de-controls frees the economy from restrictions. Licenses and permits have been replaced by broad guidelines.

Privatisation

Privatization is a trend all over the world now, in India the priority given to the public sector is gradually being reduced and the role of private sector is being encouraged



Main Features of Privatisation

Disinvestment

De-reservation

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Disinvestment

Passing of ownership, control and management of Public Sector Undertakings to the private sector



De-reservation

This allows the private sector to enter into new areas



The government is withdrawing from many economic activities like running business and is concentrating more on areas like primary and secondary education, provision of basic health care, development of infrastructure etc.

Globalisation

Globalization means free movement of goods, capital and labour across the globe



This involves reduction of import duties and encouragement of foreign investment

Thank You!



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