

# **12th Standard Business Studies**

## **Business Environment**

- 1. Business Environment** Business environment as such is the total of all external forces which affect the organisation and operation of business.
- 2. Features/Characteristics of Business Environment**
  - (i) **Totality of External Forces** Business environment includes all the external forces so it is aggregative in nature.
  - (ii) **Specific and General Forces** Business environment includes both specific and general forces. Specific forces such as investors, customers affect business directly. General forces such as social, political, legal and technological conditions.
  - (iii) **Inter-relatedness** All the forces and factors of business are inter-related.
  - (iv) **Dynamic Nature** Business environment is dynamic in nature. It keeps on changing whether in terms of technological improvements.
  - (v) **Uncertainty** Business environment is uncertain and these changes are difficult to predict.
  - (vi) **Complexity** Business environment is difficult to understand. It can be understood easily in parts but in totality, it is difficult to understand

### **3. Importance of Business Environment**

- (i) **Environment Provides Numerous Opportunities for Business Success** It enables the firm to identify opportunities and getting the first mover advantage.
- (ii) **Threats and Early Warning Signals** Environmental awareness can help managers to identify various threats on time and serve as an early warning signal.
- (iii) **It Helps in Tapping Useful Resources** Environment is a source of

various resources for running a business. Like as finance, machines, raw materials etc.

(vi) It Helps in Copying with Rapid Changes Knowledge of environmental changes sensitises the management to make new strategy to copy with the emerging problems of changes.

(v) It Helps in Assisting in Planning and Policy Formulation It's understanding and analysis can be the basis for deciding the future course of action or training guidelines for decision making.

(vi) It helps in Improving Performance With continuous scan of business environment, companies can easily improve their performance.

#### **4. Dimensions of Business Environment**

(i) Economic Environment It consists of Gross Domestic product, Income at National level and per capita level. Profit earning rate, monetary and fiscal policy of the government etc.

(ii) Social Environment It consists of the customs and traditions of the society in which business is existing. It includes the standard of living, taste, preferences etc.

(iii) Political Environment It constitutes all the factors related to government affairs such as type of government, power, attitude of government towards different groups of societies etc.

(iv) Legal Environment It constitutes the laws and various legislations passed in the parliament. Like as Trade Mark Act, Essential Commodity Act, Weights and Measures Act etc.

(v) Technological Environment It refers to changes taking place in the method of production, use of equipments and machineries to improves the quality of product.

**5. Economic Environment** in India Since 1991 India has been going on economic reforms. We have now adopted the policy of liberalisation, privatisation and globalisation. We have started modernising the country's industrial system.

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Unproductive control are being removed private investment, including foreign investment, is being encouraged.

(i) Liberalisation It means removing unnecessary trade restrictions and making the economy more competitive like as freedom of production, expansion of industries.

(ii) Privatisation It means removing strict control over private sector and making them free to take necessary decisions. Like as reduction in the number of reserved public sector industries, increasing the share of private sector investment.

(iii) Globalisation Free interaction among economies of the world in the field of trade, finance, production, technologies and investment is termed as globalisation. Our new economic policy contributed towards globalisation in the following ways.

- (a) Devaluation of rupee
- (b) Raising foreign equity participation
- (c) Long period trade policy
- (d) Convertibility of rupee

### **6. Impact of Government Policy Changes on Business and Industry**

(i) Increasing Competition There is a tough competition between multinationals and there is also competitions between Indian enterprises and foreign enterprises.

(ii) More Demanding Customers Customers today become more demanding because they are well-informed.

(iii) World Class Technology Changes in government policy regarding business and industry has provided us with world class technology.

(iv) Necessity for Change After 1991, the market forces have become turbulent as a result of which the enterprises have to continuously modify their operations.

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(v) Need for Developing Human Resource The new market conditions requires people with higher competence and greater commitment.

(vi) Market Orientation Today firms are market oriented. They research the market, need and wants of consumers and then they produce good accordingly.

(vii) Loss of Budgetary Support to Public Sectors The government's budgetary support for financing the public sector has declined over the years.

