

PGDM (Insurance Business) - 2013-15 Batch

Sub: Business Environment

(INS-101)

Trimester I - End Term Examination: September 2013

[Time Allowed: 2.30 Hours]

[Max Marks: 50]

Roll No: \_\_\_\_\_

**Instruction:** Students are required to write their Roll No. on the question paper. Writing anything except the Roll No. will be treated as unfair means. For rough work, please use answer sheet.

**Note:** - Please be brief and relevant in your answers.  
- Section C is compulsory.

Section-A

[There are 5 questions in this section. Attempt any 3 questions. Each question carries 5 marks.]

[3x5=15 Marks]

[A1] (a) It is said that a business firm does not operate in a vacuum but in a given environment. Deriving from this, "business" has certain distinctive characteristics. Enumerate five of them briefly. [3]

(b) According to a captain of an Indian FMCG business, foreign brands in India deplete India's capital resources without much value addition. How can world class Indian brands be built? [2]

[A2] (a) Illustrate, preferably through a chart, the inter-relationship of an insurance firm with its major internal and external stakeholders. [3]

(b) How does the income level of an economy and inflation affect insurance consumption? [2]

[A3] (a) Explain very briefly the "five stages of economic growth" (Walt Rostow). [3]

(b) Narrate briefly the various aspects of the determinants of productivity. [2]

[A4] (a) Distinguish between demand-pull inflation vis-à-vis cost-push inflation. [3]

(b) What do you understand by wage-price-spiral? [2]

[A5] (a) Describe the savings-investment linkages. [3]

(b) What do you understand by the term investment risk? [2]

P.T.O

Roll. No. \_\_\_\_\_

Section-B

[Note: Answer 2 out of the 3 Questions below. Each Question carries 10 marks]

[2x10=20 Marks]

[B1] (a) What do you understand by the term "stakeholder analysis"? [2]

(b) Taking an educational institution as a unit, diagrammatically illustrate and map key stakeholders and briefly write one or two sentences on the role and interlinkages of each stakeholder. [8]

[B2] In the context of interest rate management in India, what do you understand by (a) SLR (b) CRR (c) Repo rate (d) Reverse repo rate and (e) Open Market Operation. Also add one sentence on the purpose of each of these instruments. [10]

[B3] Explain briefly at what stage is India in demographic transition and also briefly describe (b) demographic pyramids, (c) demographic bulge and (d) demographic curse. [10]

Section-C

Case Study

[Marks - 15]

This section is compulsory.(Please see attachment)

## Section-C

### Case Study

[Marks - 15]

This section is compulsory.

Please go through the following three caselets and answer questions given at the end:

Caselet -- 1

#### **Market Demand**

Arguably, one of the industries in which the concept of demand is at present most well-defined is automobile manufacturing. The significant rise in crude oil prices that has occurred over the last few years in the US and abroad, coupled with increased public attention to the issue of global warming, has spawned a pseudo-fanaticism among consumers over fuel-efficient vehicles. Car buyers are seeking smaller vehicles that use much less conventional fuel. However, they are also increasingly purchasing so-called "hybrid" vehicles (which alternate between gasoline and electricity as fuel sources) and cars that operate on alternative fuel sources, such as biodiesel, hydrogen and 100 percent electricity.

In the last year, periodic plateaus and declines in gas prices have somewhat placated consumers' frenzy for hybrid vehicles. One study revealed that 50 percent of new car buyers were considering a hybrid, down from 57 percent in the previous year ("Hybrid," 2007). This slight decline in market demand is largely attributed to consumers' increased understanding that certain hybrids may not provide the necessary fuel efficiency popular opinion suggested. In other words, consumers, who only two years ago were decrying the skyrocketing cost of fuel (and were more inclined to accept the hype surrounding hybrid vehicles), have now adjusted to those increases and are showing a more careful, if not critical, approach to these vehicles.

While consumer focus on hybrids has shown a modicum of decline, car buyers remain concerned about fuel efficiency. Hybrids, after all, are but one response to the overarching issues of oil prices and environmental responsibility. As one industry analyst puts it (North, 2007):

***Any doubt that a focus on environmentally friendly vehicles is of growing importance to consumers should be gone by now. Regardless of which side you come down on in the global warming debate, fuel efficiency, low emissions, and recyclability are all becoming more important in vehicle design and production.***

Indeed, among the ten top-selling vehicles in the US, seven are small and mid-sized cars, each of which boasts better-than-average mileage. According to *Forbes*, "Gas prices used to be a consideration in car purchasing. Then they became a decisive factor. Now they are the decisive factor" (Lienert, 2006).

The example of environmentally friendly automobiles demonstrates the significance of market demand on a business's viability. Successful business development relies on the needs and concerns of the customer. In terms of the automobile industry, hybrid gasoline/electric vehicle sales soared immediately upon placement on the market due to the fact that those cars directly responded to the rising cost of gasoline as well as the issue of global warming. Interestingly, in this case, the concerns over oil prices and the environment created a market and even a product concept, rather than a single product that would address that demand. The "green" car market continues to evolve, with customer demand still strong.

in South Africa, enabling many black citizens to become part of junior, mid-level and even senior management (Cisco Systems, 2007). Unfortunately, with the exception of the safari and ecotourism industries, the economic success of South Africa is largely centered around cities like Johannesburg and Cape Town.

In rural areas, poverty and fiscal malaise remain commonplace. Some economists postulate that this disparity exists because of a lack of access to the technologies the modern world takes for granted: Telecommunications (Skuse, 2007). A simple lack of access to cellular technology has prevented the establishment of interpersonal as well as business networks. Since the late 1990s, telecommunications companies, government and international development groups have endeavored to correct this "digital divide," but progress has been slow. Nevertheless, the promises presented to rural South Africans in terms of enhancing their potential to find financial equity are significant enough to remain an ongoing endeavor.

While worlds apart culturally, geographically and socio-economically, the examples of underdeveloped rural America and undeveloped South Africa have a common thread relative to the central message of this essay: Without the technological tools (and at times even the access to such resources) necessary for a business to thrive for the long-term, stagnant business environments will likely remain so.

**Answer the following questions:**

*[Remember this is an exercise in connecting the dots in business environment studies.]*

1. The Market Demand (Caselet 1) illustrates the role of market demand for new products. Drawing a parallel, discuss the Indian life insurance product scene of the recent past which saw a similar development and explain in brief the evolution of a new product in life insurance which became a rage.
2. The Cost of Doing Business (Caselet 2) offers a parallel to a business topic in one of the branches of general insurance where insurers and regulator took corrective measures to restore the financial health of the industry. Discuss.
3. The Technologies and Information (Caselet 3) is on parallel to the efforts at finding a technology solution to financial inclusion in India. Discuss.