

PGDM-IBM, 2019-21  
Sub.: Business Environment  
Paper Code: INS-101  
Trimester-I, End Term Examinations: September-2019

Time Allowed : 2½ hrs.

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

Marks: 50

**Instruction:** Students are required to write Roll No. on every page of the question paper. Writing anything except the Roll No will be treated as **Unfair Means**. All other instructions on the reverse of Admit Card should be followed meticulously.

Sections	No. Of Questions to attempt	Marks	Total Marks
A	Minimum 3 question with internal choices and CILO (Course Intended Learning Outcome) covered  Or  Maximum 6 questions with internal choices and CILO covered (as an example)	3*10   6*5	30
B	Compulsory Case Study with minimum of 2 questions	20	20
			50

**Section-A**

A1. Business Environment is best understood if it is divided into its component factors such as internal environment, micro, macro-economic and non-economic factors. Discuss the status of India's current non-life insurance industry the light of the above factors. (CILO1)

**Or**

A1. Citing size, global reach, technology and corporate social responsibility characteristics of modern business, discuss how the life insurance industry is faring in India.

A2. Critically evaluate the role of insurance industry in fostering financial and economic growth focussing on at least four major relevant factors. (CILO2)

**Or**

A2. Dwell upon insurers' role in financial intermediation in the context of the role of intermediaries in the financial market.

A3. Discusses in depth on the economic, demographic, social and political-legal factors that have a say in determining the demand for insurance in India. (CILO3)

**Or**

A3 Discuss the five stages of economic growth concept of Walt Rostow and show the relevance of productivity and growth for climbing to the next level.

**Contd..2/---**

Section-B

**Case Study Compulsory:-**

**B. Caselet-I: What is Business for?**

**VALUES** The profit-maximizing view of business may be defended on the following grounds:

1. It can be argued that private property is a basic principle of western societies and the whole point is that private property brings benefits to its owners. It is, therefore, not reasonable to expect people to use their private property other than for their own benefit.
2. Of course, individuals may choose to use some of their own property to benefit others by donations to charity or other means. But there are two reasons why it might not be reasonable to expect a business to act like this. First, the purpose of business is to make profit, whereas decisions about charitable giving should be left to the owners of the business in deciding for themselves how they use the distributed profits. Second, it can be argued that in a competitive market environment firms are under continual pressure to maximize profit in order to secure long-term survival. This is because profit can be used for reinvestment in the business to sustain or improve competitiveness, and because profitability is key to the ability of a firm to raise external finance. Firms which are less profitable than their rivals will tend to fall behind in the competitive struggle.
3. Third, it can be argued that through the single-minded pursuit of profit businesses simultaneously create benefit for society and thereby, far from ignoring the interests of other stakeholders, fully discharge their social responsibility. This is the 'hidden hand' argument, and the key idea is that firms only make profit by serving the needs and wants of customers. At the same time, profit-seeking businesses create employment and generate economic growth.

However, all of these arguments can be contested. As we have already seen, a problem with the hidden hand argument is that, even if customers are well-served by business, the good deals that they enjoy might rely upon low paid jobs. How do we balance the interests of consumers with those of low paid workers? The national minimum wage and arguments for a living wage can be seen as attempts to strike such a balance.

The hidden hand also tends to create social costs or externalities such as environmental pollution (see Chapter 2).

**INTERNAL** The argument that firms are forced by competition to maximize profit in order to secure long-term survival is questionable because it suggests that businesses have no discretion in terms of their conduct. This is a simplistic model of the market and is contradicted by observations of business decisions. It is clearly not the case that western fashion retailers are powerless to improve the pay and conditions of workers in the Bangladeshi garment industry.

It is true that private property is a basic principle or value of western societies for which there is strong public support. But private property is a legal arrangement which can be judged on the basis of whether it serves the common good of society as a whole. On this basis all western societies impose certain restrictions on private property. There are some things that people are not allowed to own (e.g. harmful drugs or guns) and restrictions on how property may be used (such as not being allowed to drive my car as fast as I like). Very few people would say that individuals should be able to drive their cars just as they please because that is the whole point of owning your own car. Most would agree that the likely harms to the community in the shape of road accidents from such a free-for-all outweigh the benefits to the car owners. Similarly, it is reasonable to say that we should judge the private ownership of business on the basis of the common good and not just that it allows the owners to do what they want with their own property.

**Q1. Do you think that the sole purpose of business is, or should be, to make as much profit as possible? (5)**

**Q2. If you answer is 'no', would you think differently if you were a shareholder? (5)**

**Section-B**

**Case Study Compulsory:-**

**B. Caselet-II: I'll see you on Facebook!**

Mark Zuckerberg initially developed Facebook as a site solely for his fellow Harvard University students in 2004. However, it quickly had established itself as the leading global social networking site. Social networking sites have been made possible by the widespread penetration of the Internet through faster broadband and the development of IT skills in the wider population as well as the increase in the number of ways of accessing the Internet through handheld smart phones and tablets.

Prior to Facebook there were other social networking sites, such as Bebo and Myspace, but Facebook has quickly come to dominate the social networking market in the developed world. By 2010 there were 400 million members of the Facebook community and by 2013 there were over 1 billion users.

For a networking site to prosper and grow it needs to establish itself as a large network and ensure that its users stick with it. Sites such as Myspace and Bebo have suffered from users jumping ship. The strength of Facebook's business model lies in its ability to create networks, its ability to use the information that its users give to customize adverts and potentially other applications, as well as its sheer market reach.

While there would appear to be no potential rival to usurp Facebook, it does face some strategic problems. The basic problem for Facebook is that users access it for free. This means that its main source of income is from hosting adverts and, in turn, this means that if the company is to grow its revenues it needs to keep expanding its customer base or find other ways of generating income. While it is clear that

Facebook's rise has been rapid, businesses in the IT sector can fall as dramatically as they can rise. The 'dot-com' bubble between 1997 and 2000 showed the dangers of getting carried away.

As a platform for hosting adverts Facebook faces severe competition from many other rivals. There is always the possibility that a new competitor will appear offering something that Facebook currently does not. There is also the potential for users to feel that the adverts are cluttering up the site and that concerns over privacy will turn them away.

It is clear that Facebook's strategy is to constantly expand its customer base, but it faces problems with existing social network sites in countries such as China and Russia (where government regulation can prohibit what information is allowed). In Africa, lack of access to personal computers can be a barrier, although the rapid expansion of mobile phones does provide opportunities for expansion through this medium.

- Q1. Why have social networking sites grown so much in the last decade? (2)**
- Q2. What have been the reasons for the success of these sites and others such as MySpace and LinkedIn and why have others such as Bebo not been so successful? (4)**
- Q3. What are the potential threats to the continued success of Facebook and how might Facebook respond to these? (4)**