

# Impact of Changes in Government Policy on Business & Industry

## 1 Mark Questions

1. Define privatisation as a process of economic reforms in one sentence. (Delhi 2011C; All India 2010)

**Ans.** Privatisation refers to giving greater role to private sector and reducing the role of public sector in the nation-building process.

2. Define liberalisation as a process of economic reforms. (All India 2011; Delhi 2010c)

**Ans.** Liberalisation refers to an end of licence, quotas and many more restrictions and controls which were put on industries before 1991.

## 3 Marks Question

3. Explain any two impacts of government policy changes on business and industry. (All India 2011; Delhi 2011)

**Ans.** Impacts of government policy in India are:

- **Increasing competition** As a result of changes in the rules of industrial licensing, entry of foreign firms creates competition for Indian firms, especially in service industries like telecommunication, airlines, banking, insurance, etc which were earlier placed in the public sector.
- **More demanding customers** Customers today have become more demanding because they are well informed. Cut-throat competition in the market gives the customers wider choice in purchasing better quality of products and services.

## 4/5 Marks Questions

4. Giving any four points, explain the impact of government policy changes of business and industry (Foreign 2014)

or

The Indian corporate sector has come face-to-face with several challenges due to government policy changes in business and industry. Explain any four such changes. (Compartment 2014)

or

The Indian corporate sector has come face-to-face with several challenges due to government policy change. Explain any four such challenges. (Delhi 2010c)



**Ans.** Following challenges were faced by the business enterprises:

(i) Technological environment Increased competition force the firms to develop new ways to survive and grow in the market. Thus, there is a need to adopt the new technologies in order to survive in the long run.

(ii) Need for developing human resources The new market conditions require people with higher competence and greater commitment. Hence, there is a need of developing human resources.

(iii) Market-orientation The business enterprises start focusing on market-oriented techniques rather than production-oriented techniques.

(iv) Necessity for change After 1991, the market forces have become turbulent. As a result, business enterprises have to continuously modify their operations.

**5. When government policy changed, it laid some positive and negative impact on the business. Discuss some of them. (Delhi 2012,2010; All India 2011)**

**Ans.** Positive impacts of government policy changes are:

**(i) Market orientation** Earlier, production was done and whatever was produced was sold. But with the New Industrial Policy leading to increased competition, there is a shift towards customer orientation, where study and analysis of market is done before anything is produced, so that the products are according to the needs and demands of customers.

**(ii) Development of human resource** The new market conditions require people with higher competence and greater commitment. This has necessitated development of human resource.

Negative impacts of government policy changes are:

**(i) Rapidly changing technological environment** Due to increased competition, technological advancement are taking very fast. This is specifically a disadvantage to small firms who are not able to cope up with these changes and sometimes are even forced to shut down their business.

**(ii) Increasing competition** With the opening of the economy, globalisation, entry of foreign firms in the country, it has increased competition for domestic players, as they have to compete with them. MNCs are at an advantage due to large financial resources, technological advancement and branded goods, thus posing a serious challenge and threat to domestic players.