



DPP-5512

M. B. A. (F.T. & Eve.) (Sem. II) (CBCS) Examination
March / April - 2016
CP-205 : Business Environment

Time : 3 Hours]

[Total Marks : 70

Instructions :

(1)

नीचे दशांशवैल निशानीवाणी विगतो उत्तरवडी पर अवश्य कभवी. Fillup strictly the details of signs on your answer book.	Seat No. :
Name of the Examination :	<input type="text"/>
<input type="checkbox"/> M. B. A. (F.T. & EVE.) (SEM. 2) (CBCS)	<input type="text"/>
Name of the Subject :	<input type="text"/>
<input type="checkbox"/> CP-205 : BUSINESS ENVIRONMENT	<input type="text"/>
<input type="checkbox"/> Subject Code No. : <input type="text" value="5"/> <input type="text" value="5"/> <input type="text" value="1"/> <input type="text" value="2"/> <input type="checkbox"/> Section No. (1, 2,.....) : <input type="text" value="NIL"/>	<input type="text"/>
	Student's Signature

- (2) All the questions carry 14 marks
(3) Question No. 1 and 7 is compulsory.
(4) Attempt any three questions from question no. 2,3,4,5,6.

- 1 "Profit making is the primary goal of any business enterprise".
Discuss.
- 2 What are the credit control measures of the RBI? Explain each in brief.
- 3 Discuss the principles and limits of Corporate Social Responsibility.
- 4 Discuss the following concepts :
- (a) Gross Domestic Product
 - (b) Gross National Product
 - (c) Measurement of National Income
 - (d) Net National Product

- 5 Discuss any two of the following :
- (a) Objectives of Planning in India
 - (b) Objectives of Industrial Licensing.
 - (c) Salient features of the new small sector policy.
- 6 Write short note on any two of the following :
- (a) Chamber of Commerce
 - (b) ISO Standards
 - (c) Quantitative Easing and its impact
 - (d) Methods of Social Audit
- 7 Case Study :

This is a tragic story, narrated in first person, of an entrepreneur who became bankrupt for no fault of his, without producing anything, mostly because of the irresponsible political and government environment. This case study, documented by Bibek Debroy and P.D. Kaushik and published in Business Today is reproduced here with permission.

In the 1980s, I worked as a chemical analyst for a transnational in Germany, but kept thinking about shifting to India. Opportunity knocked when I saw an advertisement by the Uttar Pradesh government inviting NRI professionals to start a chemical unit in the newly identified Basti Chemical Industrial Complex. I hail from Lucknow. Hence, this was attractive. I inquired from the Indian High Commission and was told that there is single window clearance for NRI investors. The brochure said several things about the benefits-excise and sales tax holiday for five years, uninterrupted power supply, low rate of interest on loans, and clearance of application within 30 days.

I started the application formalities for a chemical unit. Once the application was accepted, I requested for long leave from my employers. I also inquired from my relatives in Lucknow and was told that the Uttar Pradesh government's intentions are clear, and developmental work is progressing at fast speed.

Every now and then, I received a letter from the ministry of industry in Uttar Pradesh to furnish some paper or the other, as part of procedural formalities. After three months, I received my provisional sanction letter for allotment of land, and term loan. The letter also stated that within six months, I must take possession of the land, and initiate construction. Otherwise, the deposited amount (₹ 1 lakh as part of my contribution) will be forfeited. I resigned from the company, and shifted permanently to India, since my employer turned down my request- for long leave.

On reaching the complex, I was surprised to see that the Uttar Pradesh State Industrial Development Corporation (UPSIDC) had actually developed the (and in terms of markers, and signboards, compared to what I ` had seen on my last visit.

Though roads were not fully laid, it was evident that work was in progress. I took possession of my land and started construction.

Meanwhile, I approached the UPFC for granting me the term loan for ordering the plant and machinery. The first obstacle came from the Uttar Pradesh State Electricity Board (now

Uttar Pradesh Power Corporation). The electricity supply to the complex was not yet available. On inquiring, I was told that the plan had been sanctioned, but required clearance from the power ministry, before undertaking further work. The approximate time to get grid supply ranged between four and six months.

The next obstacle came from the Uttar Pradesh Financial Corporation (UPFC). It could release the first instalment after I completed construction till the plinth level. I continued work with the help of a diesel generating set. It took another month to reach the plinth level.

But before I could request UPFC to release my first instalment, I received a letter from UPFC that I had to deposit interest against the amount paid to the UPSIDC for land possession. This was a shock, because interest had to be paid even before anything was produced.

But I had no alternative, because the first instalment was due. The UPFC promptly, released the first instalment after inspecting the construction. It helped me continue construction work, and also book for plant and machinery.

Six months went by. Construction was almost complete. I had received three installments from the Uttar Pradesh Financial Corporation (UPFC). Each time the payment of interest was due, the required sum was adjusted from the instalment released. If there was any shortfall in money required for construction, I paid from my own pocket.

But after nine months, my coffers went empty. Machinery suppliers were after me, for payment. UPFC insisted on interest payments, because this was the last instalment of my term loan and interest due couldn't be deducted from future installments. I borrowed from family and friends and paid up. Then I received the final instalment from UPFC for plant and machinery, with another notice that the yearly instalment for the principal was due.

Within two months, machinery was commissioned at the site. But electricity was yet to reach the complex. In the previous year, I had visited the Uttar Pradesh State Electricity Board (UPSEB) office innumerable times. I also approached the industry association to assist me. But all my efforts were in vain. This did not help me, or others like me, to get the grid supply.

There were 14 others who were in the same boat. The biggest company of them all-obviously with contacts at higher levels-arranged for grid supply from the rural feeder. But that plan also did not take off, because the rural feeder supplied poor quality power for a mere six hours. A process industry requires 24 hours of uninterrupted electricity supply without load fluctuations. It is precisely because of this that all 15 of us, who were waiting for electricity, had insisted on industrial power from UPSEB.

All plans failed. Captive generation was not a viable alternative now. And we continued to wait for the grid supply. We met the former minister for industry and pleaded our case. He assured us that he would take up the case with the power ministry.

Meanwhile, I defaulted on interest payments. So did the others. The final blow came in the Assembly elections, when both the sitting : Member of Legislative Assembly, from Basti, and the state industrial minister lost their seats. Suddenly, everything- from road construction work, to the laying of sewer and phone lines-came to a standstill.

Only the police post and the UPSKB rural feeder office remained. The new incumbent in the industrial ministry hailed from Saharanpur, so the thrust of the ministry changed. Basti was not on their priority list anymore. After waiting for two years, UPSEB was not able to connect , the complex with grid supply.

In the end, UPFC initiated recovery action and sealed my unit. Besides, they claimed that I could not get NRI treatment, with preferential interest rates, because I had permanently moved to India. Thus, there were also plans to file a case against me on account of misinforming the corporation. Experts suggested I should file for insolvency if I wanted to avoid going to prison. This I did in 1994. I spent ₹ 15 lakh from my own pocket.

Now, all that remains of an entrepreneurial dream is a sealed chemical unit in Basti and a complex legal tangle. I was better off working for the transnational in Germany. Power does not come out of the barrel of a gun. A gun's barrel comes out of power, especially when the latter does not exist.

Questions :

- (1) Identify and analyse the environmental factors in this case.
 - (2) Who were all responsible for this tragic end ?
 - (3) Is it right on the part of the government and promotional agencies to woo entrepreneurs by promising facilities and incentives which they are not sure of being able to provide?
 - (4) Should there be legislation to compensate entrepreneurs for the loss suffered due to the irresponsibility of public agencies? What problems are likely to be solved and created by such a legislation?
 - (5) What are the lessons of this case for an entrepreneur and government and promotional agencies?
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