

1M6117

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

Total No of Pages: 4

**1M6117**

**MBA I - Sem. (Main / Back) Exam., Dec. 2019**

**M-107 Business Environment**

**Time: 3 Hours**

**Maximum Marks: 70**  
**Min. Passing Marks: 28**

***Instructions to Candidates:***

- (i) *The question paper is divided in two sections.*
- (ii) *There are sections A & B. Section A contains 6 questions out of which the candidate is required to attempt any 4 questions. Section B contains short case study / application based question which is compulsory.*
- (iii) *All questions carry equal marks.*

1. NIL

2. NIL

**SECTION - A**

- Q.1 How and to what extent the changing socio cultural environment has an impact on business firms? Explain with the help of suitable examples. [14]
- Q.2 Define the concept of Public Private Partnerships. Describe its implications with the help of suitable examples. [14]
- Q.3 In recent years there have been considerable efforts for attracting foreign direct investment in India. Discuss its advantages and disadvantages with the help of appropriate examples. [14]
- Q.4 "Monetary Policy is how central banks manage liquidity to create and maintain economic growth of nation". Comment on this statement highlighting the tools of monetary policy. [14]

- Q.5 (a) Discuss the role of Agriculture in economic development in the Indian economy. [7]
- (b) Critically evaluate the latest EXIM policy of India. [7]
- Q.6 Write short notes on:
- (a) SEBI [7]
- (b) FEMA [7]

## **SECTION - B**

### **Case Study**

Q.7 Read the case carefully and answer the following questions-

#### Privatisation of Airports and Airline Industry

Privatisation of airports could led to better operations and lower costs of aircraft carriers. All the airports were fully owned by the government in India till recently. Under the new public – private partnership scheme, more and more airports have been set up in semi urban India. The Cochin International airport was a project that was inaugurated in 1999, involving a partnership between the government and the people (mainly NRIs), which functions outside the domain of the Airports Authority of India. It has led to one of the most efficient airports in the country and mainly serves the huge expatriate population travelling to and from Kerala. The company has made profit and broken even, paying a dividend to its shareholders. This could be an ideal showcase project for future investments in the airport sector.

The competition among airports would allow airline operators to negotiate their landing prices. Which would be a great aid for low cost airlines in cutting their charges, as in the case of mature markets of the West, which presented low cost airlines like Ryan – Air, Jet Blue (considered to be the hottest airlines in the American Skies), South West Airlines and so on.

Similarly, the state-owned domestic and international carriers, the Indian Airlines and the Air India dominated the airline market till recently in India. The air ticket prices were not affordable to ordinary citizens. Although the government had plans to divest

its stake in Air India and Indian Airlines initially, it did not happen due to opposition from media and politicians. However, giving into the pressure of liberalization, private airlines were allowed to operate in domestic routes as a first step. Due to the new entrants like Jet Airways, the state-owned airlines started losing their market share as they lacked technology upgradation and product offerings. Ministry of Civil Aviation in India has already adopted many schemes for the growth and expansion of air transport. They have made new aviation policy. Which incorporated the construction of private sector airports, reconstruction of public sector airports and purchase of new aircraft, which help the carriers to compete with the private players. The policy would also accommodate to provide additional slots for foreign airlines at Indian airports and attract Foreign Direct Investment (FDI).

The Indian government has opened up their skies to the private Indian aircraft, which helps them to offer their services internationally. As part of this policy, some of the private airlines, including Air Sahara, are able to run international flights. This 'open skies policy' and the entry of low cost carriers, have brought about a boom like never before for the airline industry.

In general, the airline industry has absolutely no control over some of the biggest expense heads including fixed costs (in terms of leases and taxes) and variable costs (fuel and landing charges). Aviation Turbine Fuel (ATF) constitutes close to 40% of an airline's operating cost in India. This is almost twice that of airlines in the West. The reason for high price of ATF in India is the huge customs and excise duty levied on the fuel. Aviation turbine fuel is currently a monopoly of IOC (Indian Oil Corporation), BPCL (Bharat Petroleum Corporation Ltd), and HPCL (Hindustan Petroleum Corporation Ltd.) The government plans to allow private players to supply ATF, so that the competition in the market will help to reduce cost.

Although India boasts of more than 400 airports, just 62 of them are in active use, and Mumbai and Delhi airports alone account for over 40% of the total air traffic in India. Traffic is growing both on major routes (between metros) and 'feeder routes' (between

smaller cities) within the country. The facilities at Indian airports are woefully short. The poor infrastructure at Indian airports, including less space for parking bays, maintenance hangar. Check in counter space etc. is really pathetic. Two of the principles of low-cost flying-quick turnarounds and increased aircraft utilization are very difficult to implement in India because of the poor airport infrastructure. According to Ernest & Young industrial consultants, India needs \$ 10 billion (₹ 44,000 crore) in investments to upgrade their airports.

Here comes the importance of privatisation and liberalization. Privatisation helps more and more airports to spring up in India. Which ultimately leads to better facilities at airports. It helps to bring up more and more low-cost private airlines into this highly competitive field. Reduction of import duties imposed, will help these airlines much, in lowering their fare also.

According to consultancy Centre for Asia – Pacific Aviation (CAPA), domestic-passenger traffic could grow at a much faster rate in the coming years. By 2010, there could be 60 million Indians travelling by air, resulting in an industry that's ₹ 30,000 crores or \$7 billion big. According to CAPA, Air Deccan, a private Indian airline, was able to draw more and more public attention by the introduction of their low-cost domestic airlines, Vijay Mallya's 'Kingfisher Airlines', Nusli Wadia's (Bombay Dyeing) 'Go Airline', 'Spice Jet', 'Royal Airways', Air India Express' .... thus goes the long list of low-cost airlines. Most of the private airlines offer differentiated products and competitive fares on first cum first serve basis, which has also worked as source for inspiration to public sector airlines like Indian Airlines to reduce their prices.

Questions –

- Q.1 Discuss the business environment in Airlines Industry. [7]
- Q.2 Also, Discuss the problems & prospects of privatisation with inference to the case. [7]