

BUSINESS ENVIRONMENT



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What is Business?

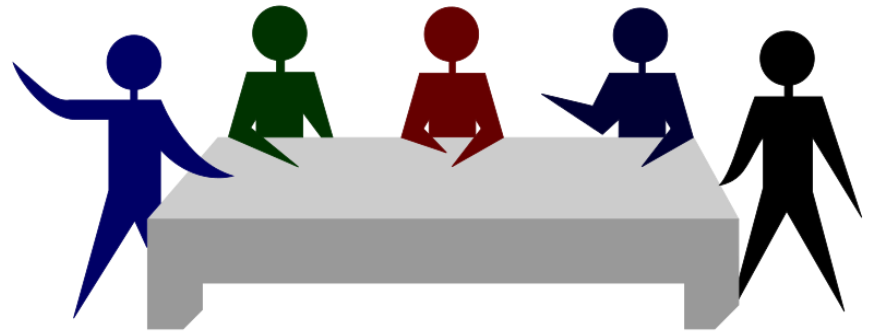
- It is a continuous production and distribution of goods and services with the aim of earning profits under uncertain market conditions.
- It is a form of regular activity conducted with an objective of earning profits for the benefit of those on whose behalf the activity is conducted.

Objectives of Business

- Profit
- Growth
- Customer Satisfaction
- Employee Satisfaction
- Quality products and services
- Market Leadership
- Employment creation
- Service to Society...

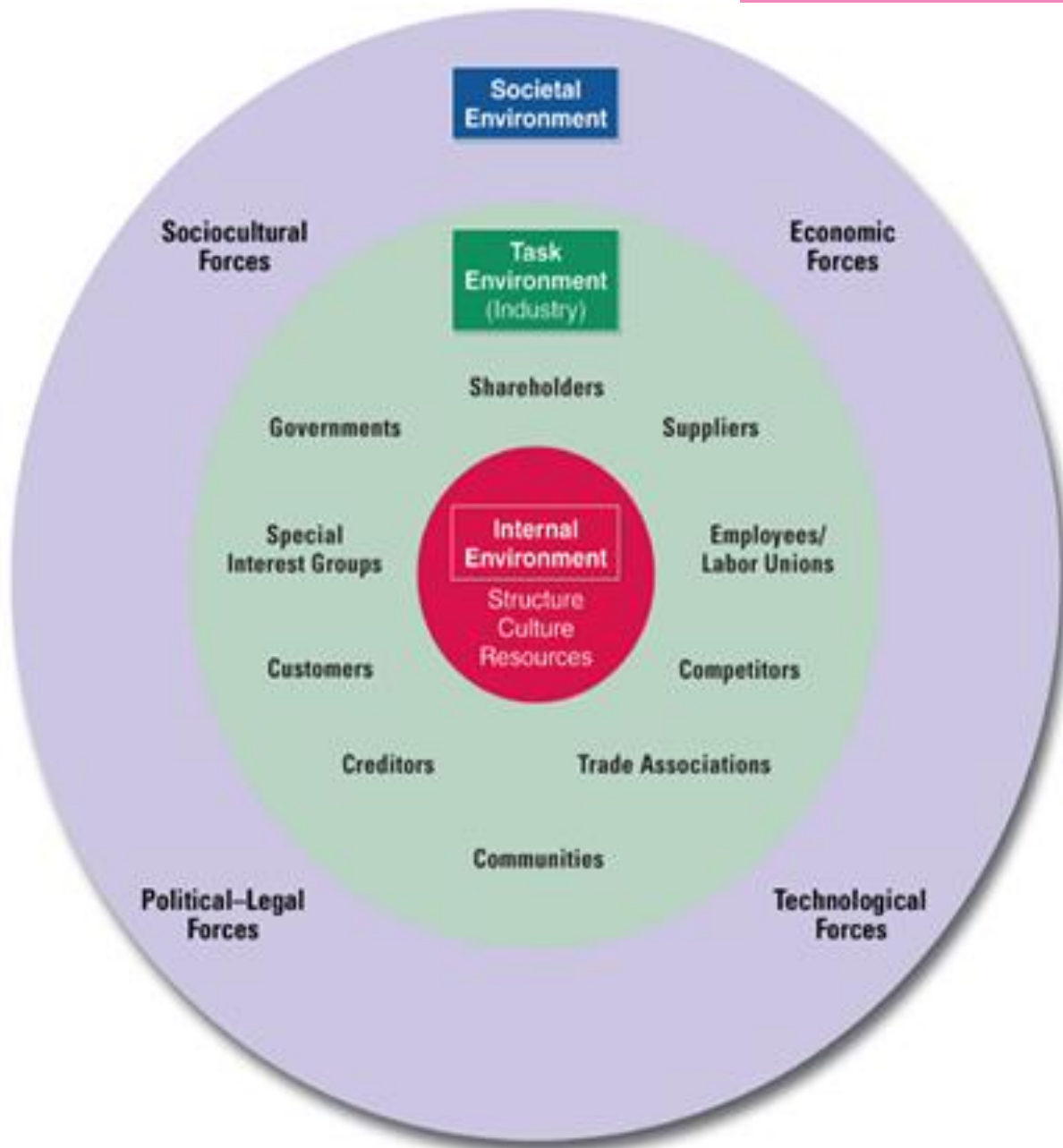
BUSINESS ENVIRONMENT

- Business environment consists of individuals, institutions and other forces which are outside the control of a business but that potentially affect its performance.



Characteristics of Business Environment

- Business environment is complex in nature.
- It is constantly changing process.
- It is different for different business units.
- It has both long term and short term impact.
- Unlimited influence of external environment factors.
- It is very uncertain.
- Inter-related components.
- It includes both internal and external environment.



Types of Business Environment

- Mainly Business Environment divided into two types. These are:
 1. Internal Environment
 2. External Environment

Internal Environment

- The factors which can be controlled by company or
- Primary factors which directly affect the growth of organization..... men, material, money, machines and management.

Types of Internal Environment

1. Value System
2. Mission & Objectives
3. Management Structure and Nature
4. Internal Power relationship
5. Human Resources
6. Company Image & Brand Equity

External Environment

- Those factors which are beyond the control of business enterprise are included in external environment.
- External Environment is divided into two parts
 1. Micro Environment: The environment which is close to business and affects its capacity to work is known as Micro Environment.
 2. Macro Environment: It includes factors that create opportunities and threats to business units. Following are the elements of Macro Environment.

Micro Environment

- **Suppliers**
- **Customers**
 - Wholesalers
 - Retailers
 - Industries
 - Government and Other Institutions
 - Foreigners
- **Market Intermediaries**
 - Middleman
 - Marketing Agencies
 - Financial Intermediaries
 - Physical Intermediaries
- **Competitors**
- **Public**

Macro Environment

- **Economic Environment:** It is very complex and dynamic in nature that keeps on changing with the change in policies or political situations. It has three elements:
 - Economic Conditions of Public
 - Economic Policies of the country
 - Economic System
 - Other Economic Factors: Infrastructural Facilities, Banking, Insurance companies, money markets, capital markets etc.

Macro Environment

- **Non-Economic Environment:** Following are included in non-economic environment:
 1. **Political Environment:** It affects different business units extensively. Components are
 - Political Belief of Government
 - Political Strength of the Country
 - Relation with other countries
 - Defense and Military Policies
 - Centre State Relationship in the Country
 - Thinking Opposition Parties towards Business Unit

Macro Environment

2. Socio-Cultural Environment

- Influence exercised by social and cultural factors, not within the control of business, is known as Socio-Cultural Environment.
- These factors include: attitude of people to work, family system, caste system, religion, education, marriage etc.

3. Technological Environment

- A systematic application of scientific knowledge to practical task is known as technology.
- Everyday there has been vast changes in products, services, lifestyles and living conditions, these changes must be analysed by every business unit and should adapt these changes.

Macro Environment

4. Natural Environment

- It includes natural resources, weather, climatic conditions, port facilities, topographical factors such as soil, sea, rivers, rainfall etc.
- Every business unit must look for these factors before choosing the location for their business.

5. Demographic Environment

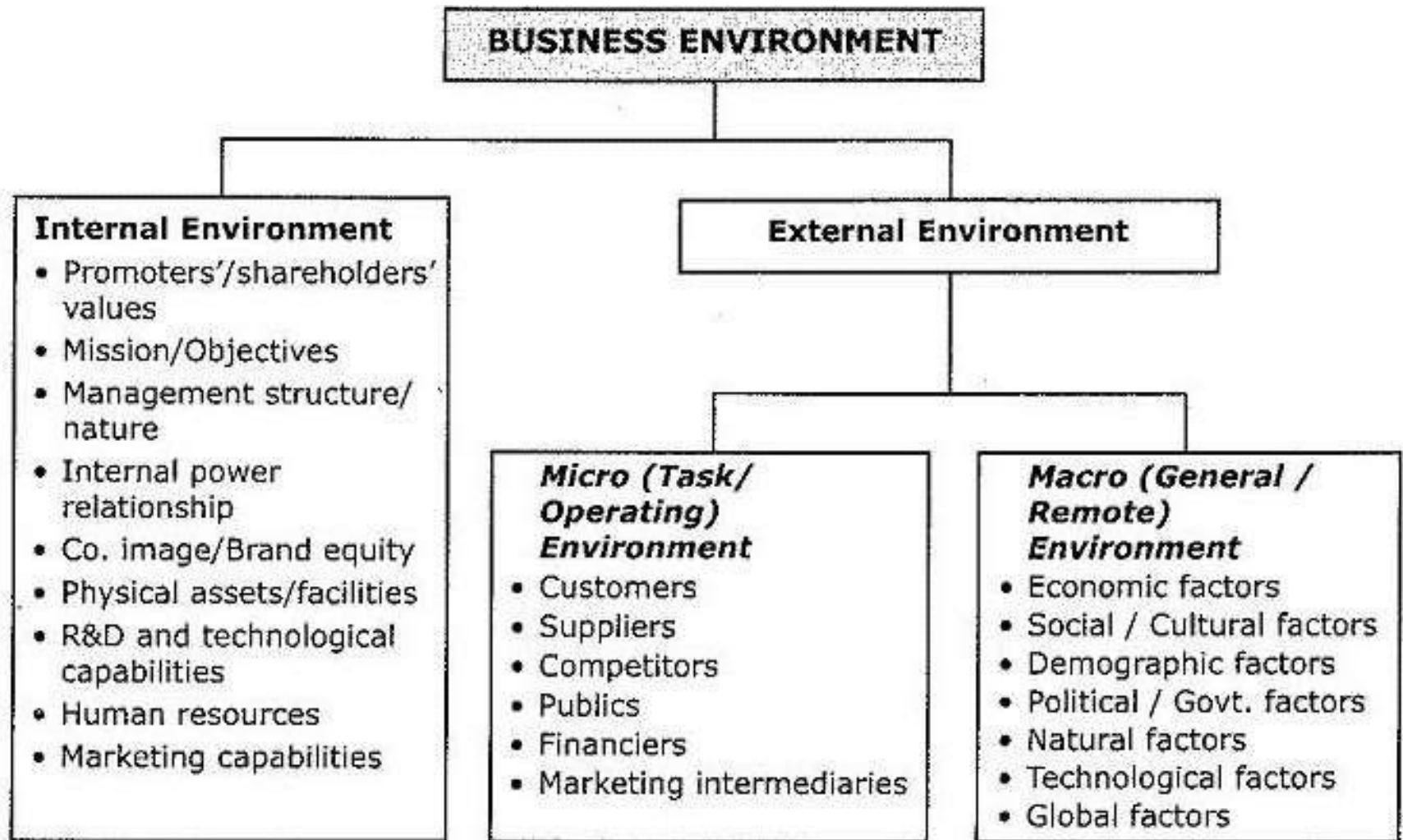
- It is a study of perspective of population i.e. its size, standard of living, growth rate, age-sex composition, family size, income level (upper level, middle level and lower level), education level etc.
- Every business unit must see these features of population and recognize their various needs and produce accordingly.

Macro Environment

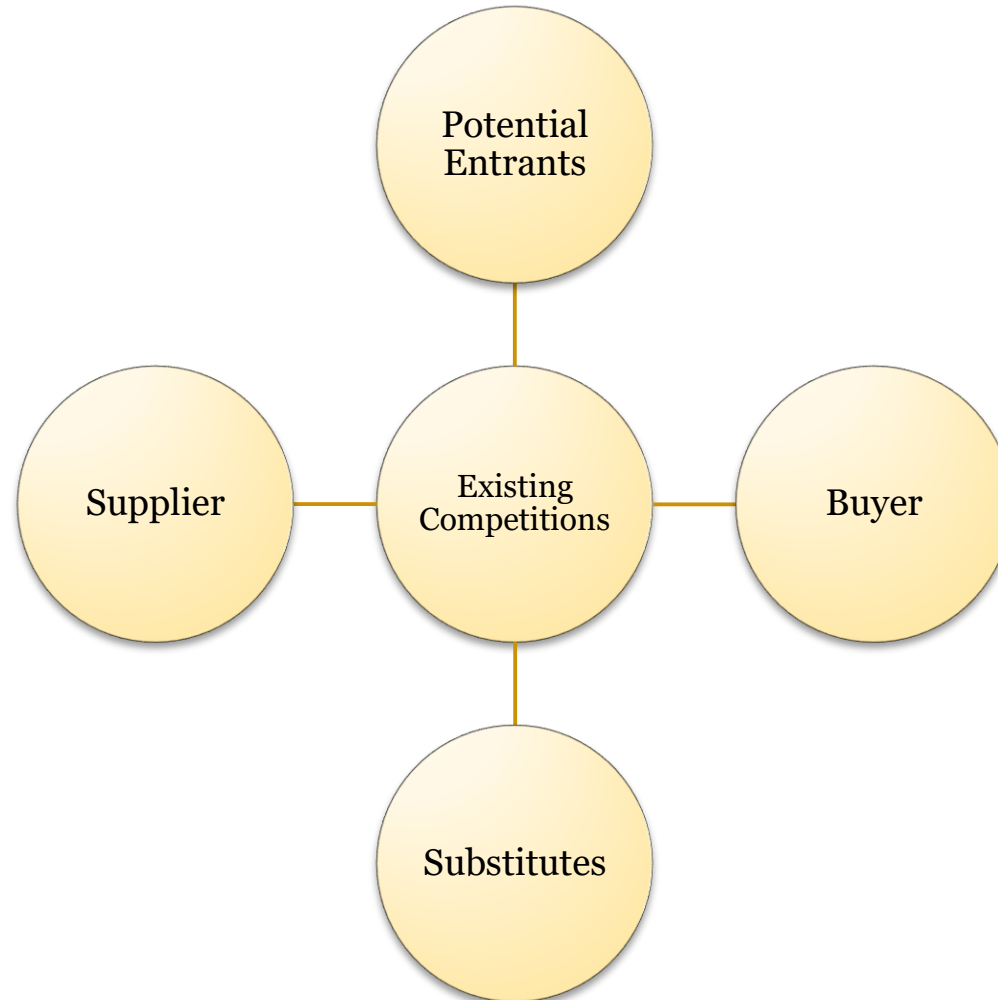
6. International Environment

- It is particularly important for industries directly depending on import or exports.
- The factors that affect the business are
 - Globalization
 - Liberalization
 - Foreign business policies
 - Cultural exchange

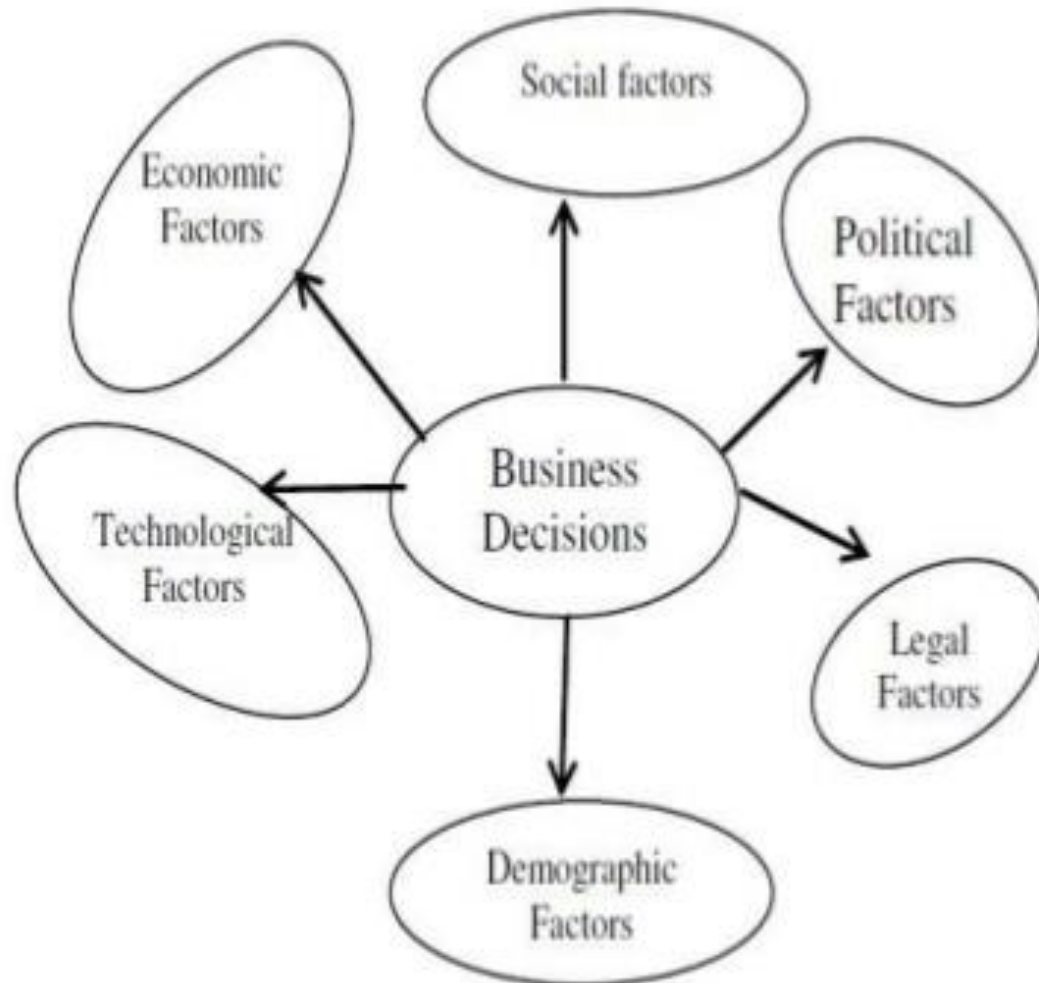
Components of Business Environment

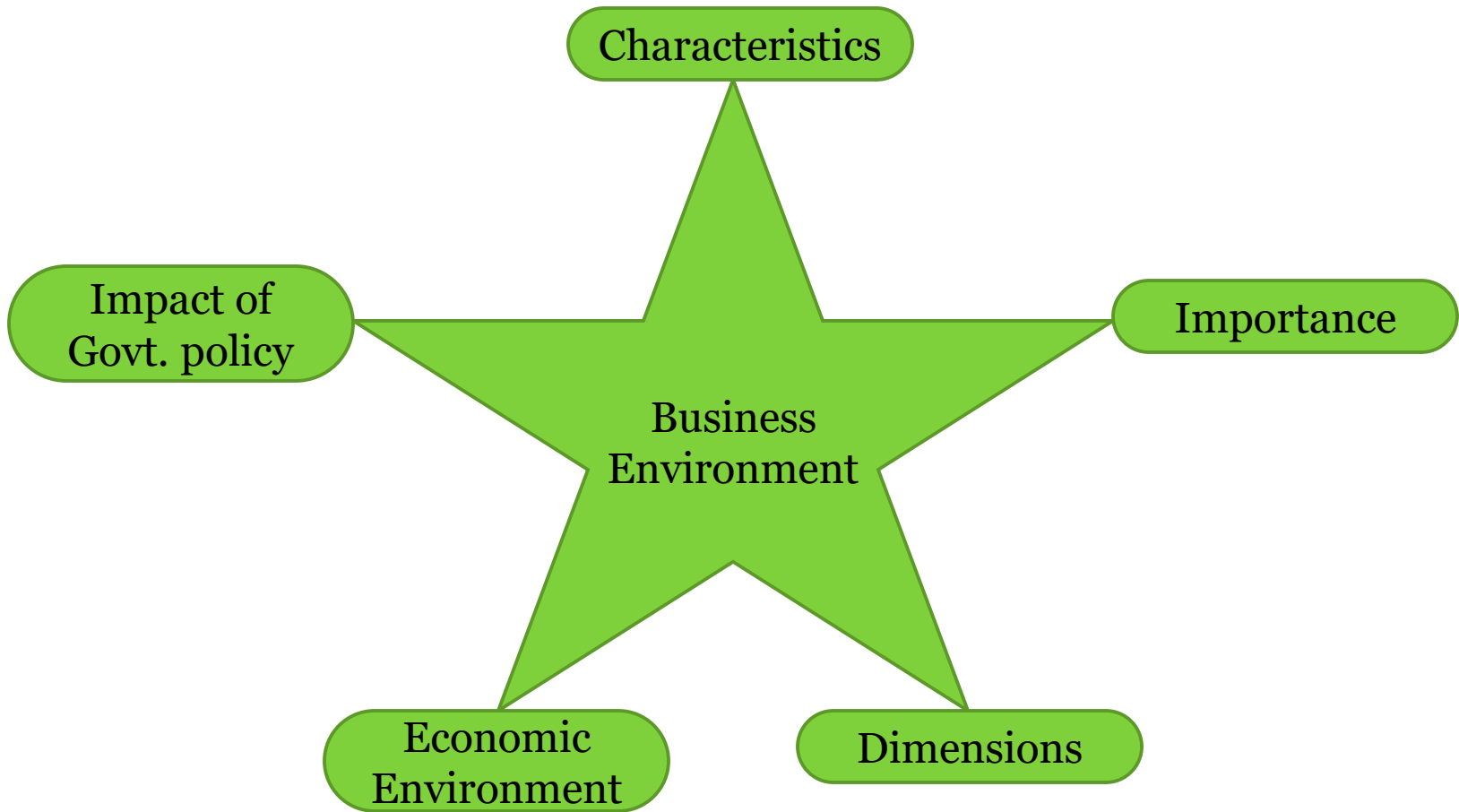


Evaluating the Environment



MEANING

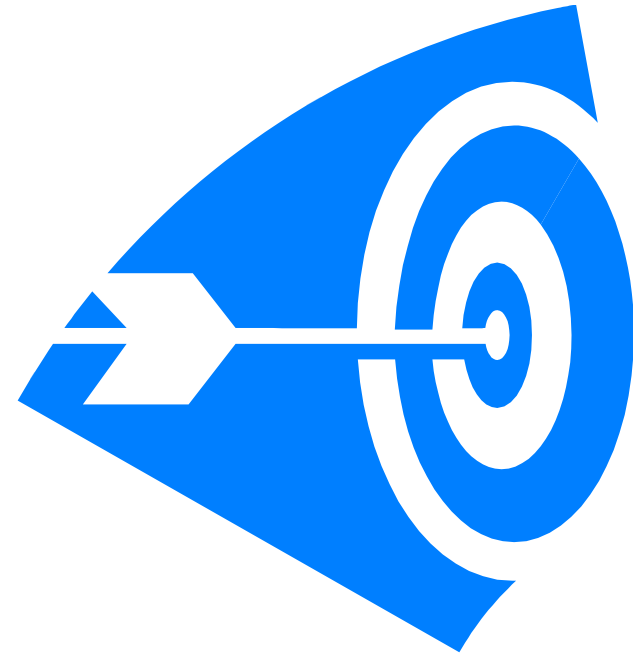




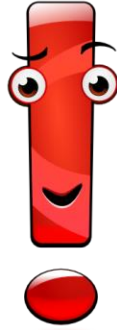


CHARACTERISTICS

- Totality of external forces.
- Specific and General forces.
- Inter-related.
- Dynamic nature.
- Uncertain.
- Complex
- Relative.



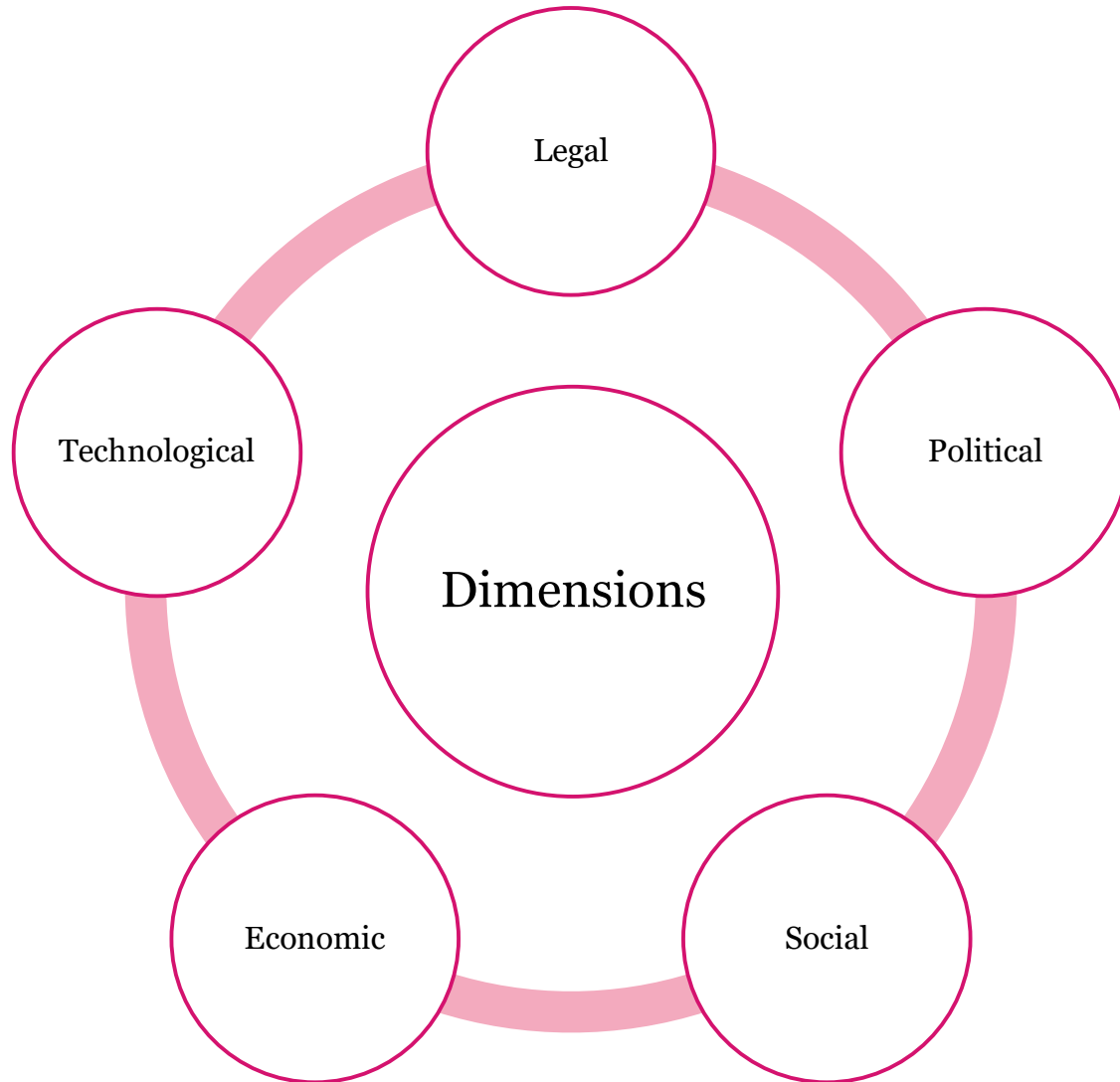
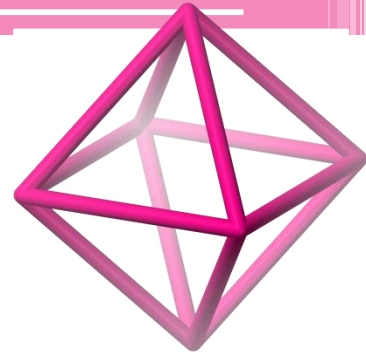
IMPORTANCE



- Identify opportunities and give first mover advantage.
- Identify threats and give warning signals.
- Tap useful resources.
- Cope with rapid changes.
- Assist in planning and policy formulation.
- Improves performance.

IMPORTANT NOTICE

DIMENSIONS





Legal Environment

- Legislations passed by:
 - Parliament
 - Court
 - State
- Rules or laws of a country



Political Environment

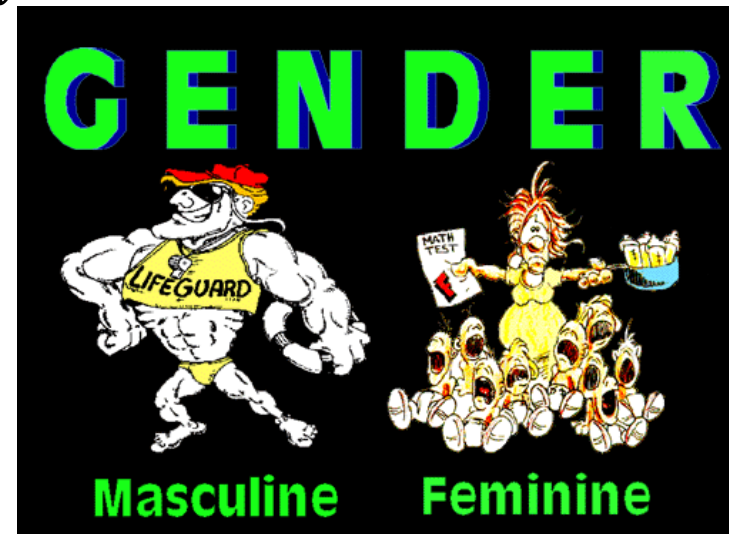
- Constitution of the country
- Prevailing political system
- Political ideology of ruling party
- Extent and nature of Government intervention in business.
- Nature of relationship of our country with foreign countries.
- Nature and profile of political leadership





Social Environment

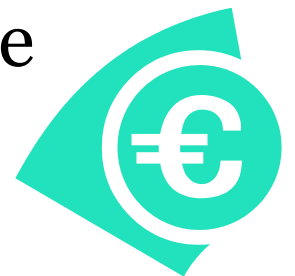
- Concern with quality of life
- Life expectancy, birth and death rates
- Expectations from the workforce
- Education system and literacy rates
- Consumption habits
- Consumer preference
- Festivals, religious beliefs





Economic Environment

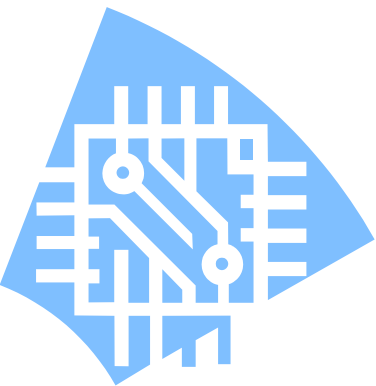
- Relative role of Private and Public sectors
- Rate of savings and investments
- Volume of imports and exports
- Money supply in the economy
- Balance of payments and changes in foreign exchange reserves
- Agricultural and industrial production trends
- Growth rate of GNP and Per Capita Income



Technological Environment



- Research and development activities
- Innovations in products and processes
- Import and export of technology
- New equipments
- Innovations in scientific and engineering fields
- New ways of communication



ECONOMIC ENVIRONMENT IN INDIA



- Privatisation
- Globalisation
- Liberalisation

Privatisation

- Means giving greater role to private sector in nation building process and reducing the role of public sector.
- Planned disinvestment
- Dilution of stake of govt. in public sector.
- If dilution of govt. ownership beyond 51% , it would result in transfer of ownership and management to private sector.

Globalisation

- Means integrating the various economies of the world, leading towards emergence of a cohesive global economy. Implies a boundary-less world where:
 - Free flow of goods and services across nations.
 - Free flow of capital across nations.
 - Free flow of information and technology across nations.
 - Free movement of people across borders.

Liberalisation

- Means freeing the Indian business and industry from all unnecessary controls and restrictions.
- Abolishing licensing.
- No restrictions on expanding or contraction of business restrictions.
- Removal of restrictions on movement of goods and services.
- Freedom in fixing prices of goods and services.
- Reduction in tax rates.
- Lifting of unnecessary controls on economy.
- Simplifying procedures for import and export.
- Making it easier to attract foreign capital and technologies to India.

IMPACT OF GOVT. POLICY CHANGES

- Increasing competition
- More demanding customers
- Rapidly changing technological environment
- Necessity for change
- Need for developing human resources
- Market orientation
- Loss of budgetary support to the Public sector

Government



Regulations



Industrial Policy

- **Meaning**
 - Is an important document.
 - Government's policy towards industries.
- **Why industrial policy?**
 - To prevent the imbalances in the development of industries.
 - To demarcate areas among the public and private sector.
 - To direct the flow of scarce resources.
 - To prevent the wasteful use of scarce resources.

Industrial Policy

- It indicated the respective roles of the public, private, joint and cooperative sectors; small, medium and large scale industries and underlined the national priorities and the economic development strategy.
- It also expressed government's policy towards, foreign capital and technology, labour policy, tariff policy etc., in respect of the industrial sector.

Industrial Policy

- Government's policy towards industries.
- The industrial development, and thereby the economic development to a very significant extent, has been guided, regulated and promoted by the industrial policy.

Industrial Policy, 1991

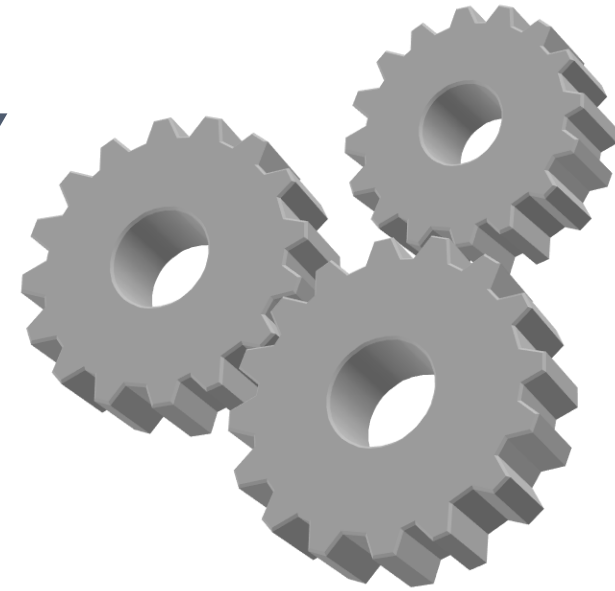
- **Objectives of the policy**

- To maintain the sustained growth in productivity.
- To achieve optimum utilization of human resources.
- To attain the international competitiveness.
- To enhance gainful employment.
- To abolish the monopoly of any sector in any field of manufacture except on strategic or security ground.

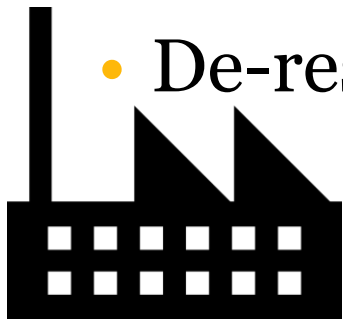
Initiatives in the following area

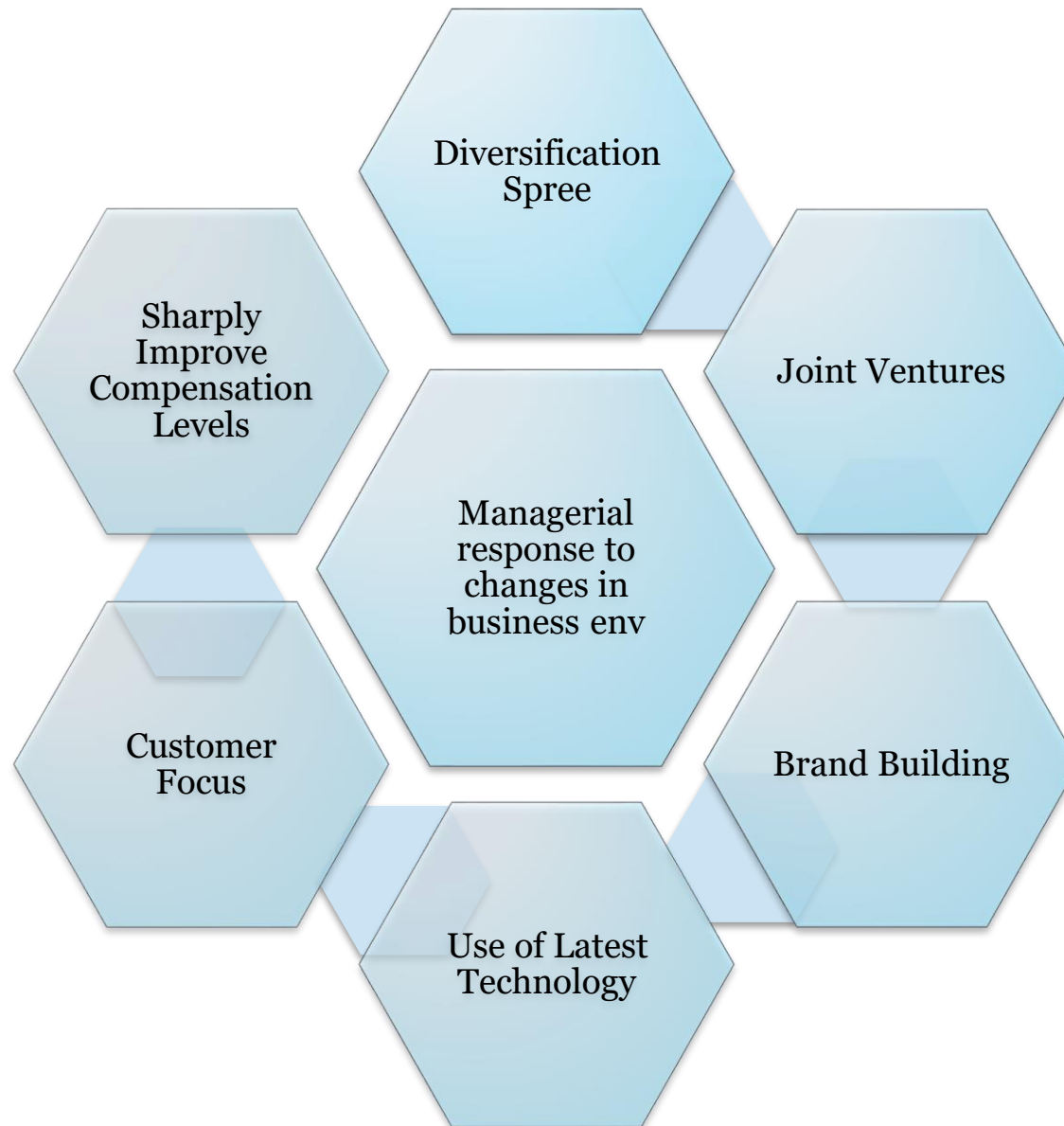
- **Industrial licensing**
- **Foreign investment**
- **Foreign technology agreement**
- **Public sector policy**

NEW INDUSTRIAL POLICY



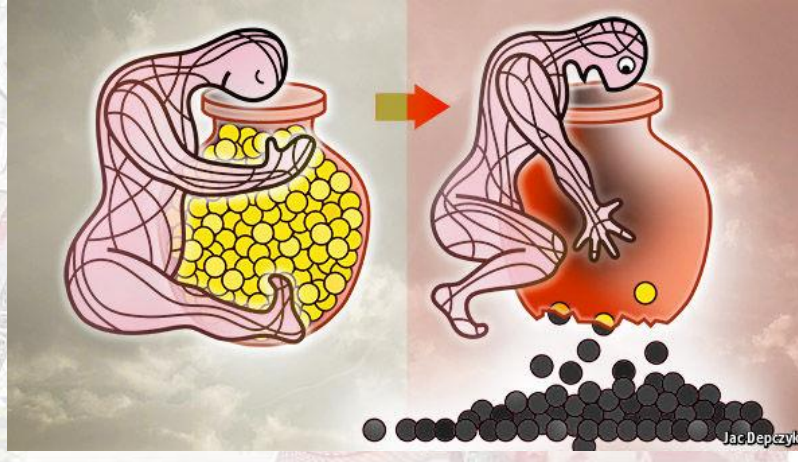
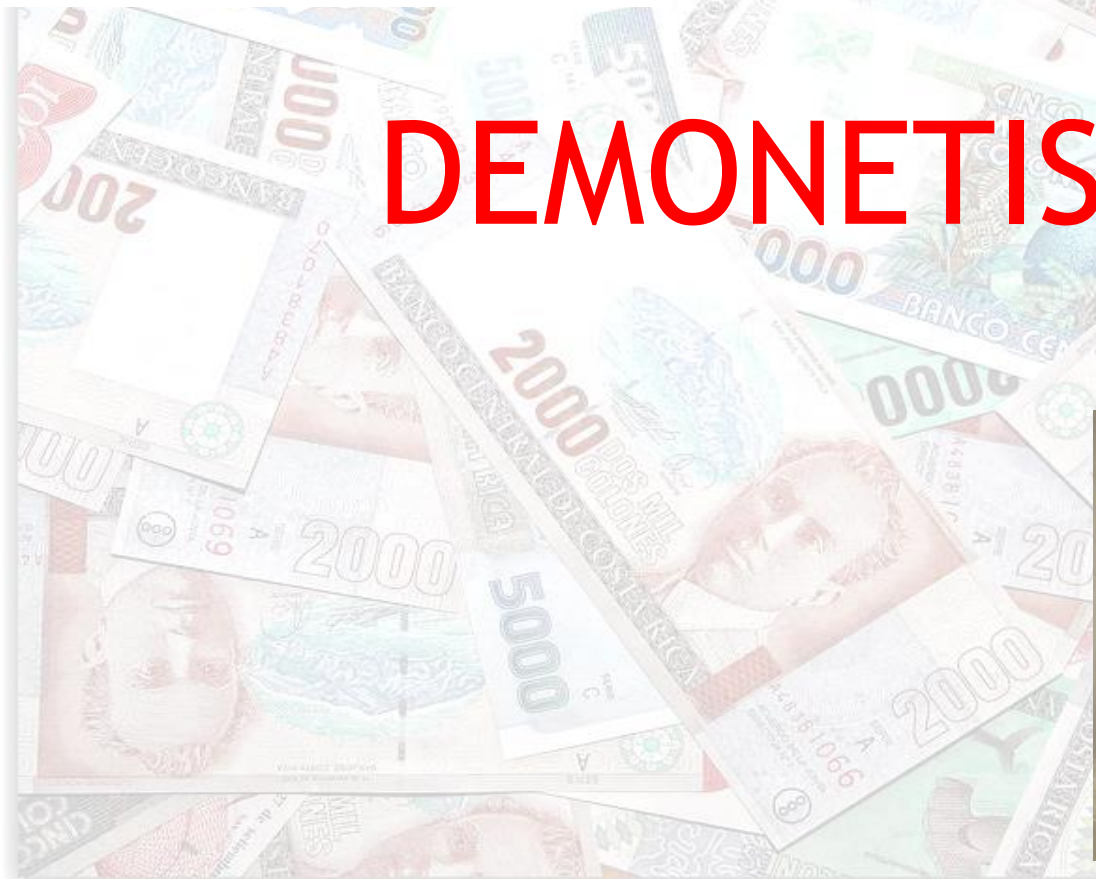
- De-licensing
- Decrease in role of Public sector
- Disinvestment
- Liberalisation of foreign capital
- Liberal policy for technical collaboration
- Setting up of FIPB
- De-reservation under small scale industries







DEMONETISATION



What Is Demonetization?

- “Demonetization is the withdrawal of a particular form of currency from circulation.”
- It is a process by which a series of currency will not be legal tender.
- The series of currency will not acceptable as valid currency.



What Happened in Demonetization?

- On 8th November 2016, Government of India had announced that from today onward rupees 500 and 1000 rupee note will not be a legal tender.
- Means that 500 and 1000 rupee notes will not be accepted by anyone except the organization declared by the government.
- Public can deposit and change the currency from the banks and post offices till 30th December 2016.

Demonetization History and Background In India?

- **This is not the First time, When Indian Currency is Demonetized in India .**
- **Earlier it was done in 1946 with the complete ban of Rs. 1000 and Rs. 10000 Notes to deal with the unaccounted money i.e. Black Money.**
- **Second time, it was done in 1978 by Govt headed by Morarji Desai when Rs. 1000, Rs. 5000 and Rs. 10000 Notes were demonetized.**

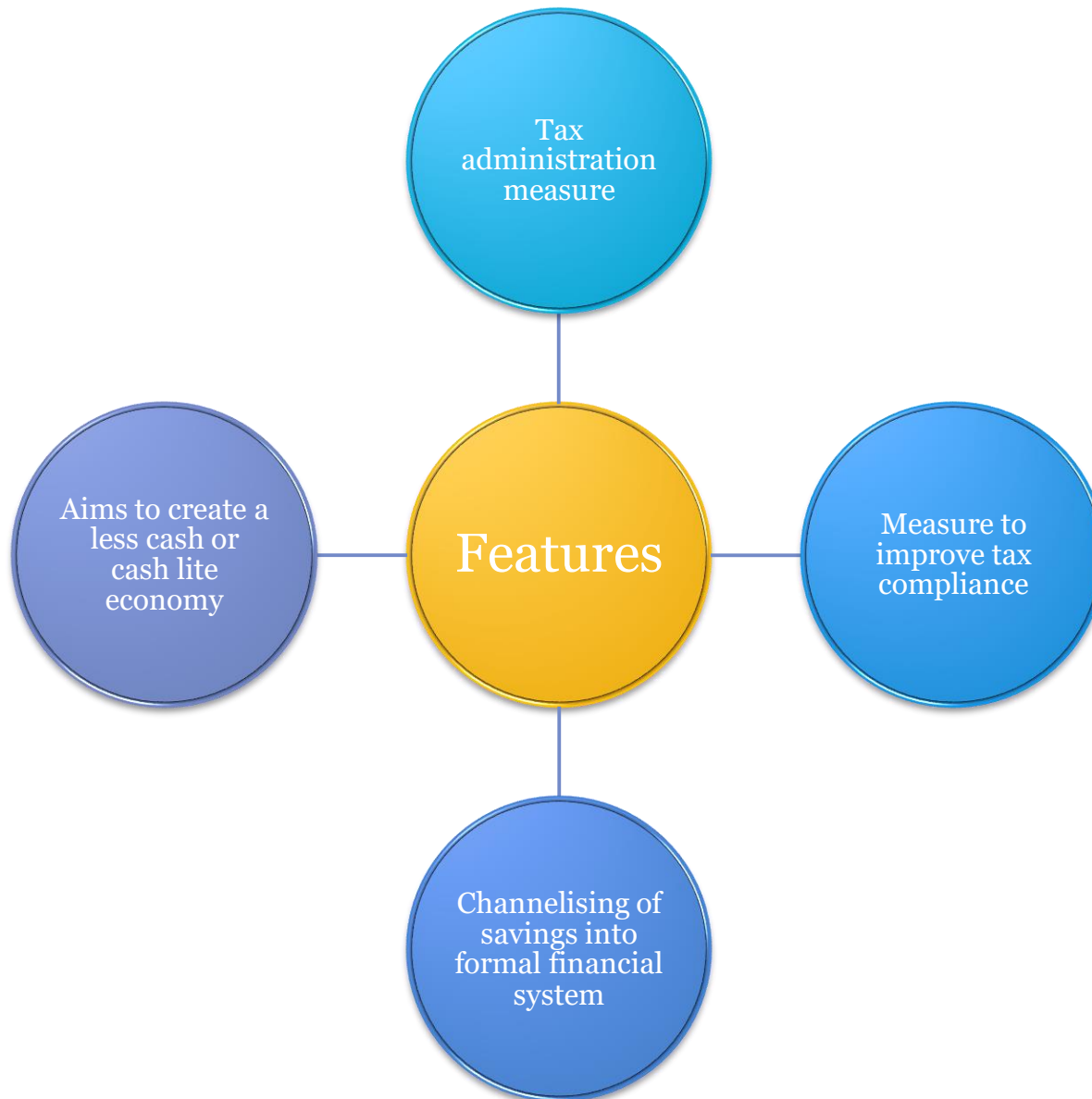
Major Aim of Demonetization



Making India A Cash less Society .

What are the causes of Demonetization?

- **There can be many causes of Demonetization in any economy such as :**
 - ❖ **Black Marketing**
 - ❖ **Corruption**
 - ❖ **Fake currency in the economy etc.**
 - ❖ **Accumulation of Black Money**
 - ❖ **Tax Evasion**



Impact of Demonetisation

- Money/ Interest Rates
 - Decline in cash transactions
 - Increase in bank deposits
 - Increase in financial savings
- Private Wealth
 - Declined since some high denomination notes were not returned.
 - Real estate prices fell.

- Public Vector Wealth
 - No effect
- Digitalisation
 - Online transactions increased. (RuPay, AEPS)
- Real Estate
 - Prices Declined
- Tax Collection
 - Increased due to increased disclosure.



Thank You!!