

2017-18

B  **SINESS**
ENVIRONMENT

Created By – JIGAR VAISHNAV

Guided By – RAVI KARIYA

DELHI PUBLIC SCHOOL RAJKOT

DELHI PUBLIC SCHOOL

RAJKOT

CERTIFICATE

This is to certify that _____
of XII-commerce has satisfactorily completed his/her
project work in the subject of Business Studies on the topic
'BUSINESS ENVIRONMENT' under my guidance for the
academic year 2017-18 as the partial fulfillment of AISSCE,
March-2018 conducted by CBSE.

**Internal
Examiner
(Ravi Kariya)**

School stamp

**External
Examiner**

INDEX

SR.NO.	Title/Topic
1	Meaning of business environment
2	Features of business environment
3	Importance of business environment
4	Economical environment
5	Aspects of Economical environment
6	Examples of Economical environment
7	Social environment
8	Aspects of Social environment
9	Examples of Social environment
10	Political environment
11	Aspects of Political environment
12	Examples of Political environment
13	Legal environment
14	Aspects of Legal environment
15	Examples of Legal environment
16	Technological environment
17	Aspects of Technological environment
18	Examples of Technological environment
19	Remarks

INTRODUCTION OF BUSINESS ENVIRONMENT

➔ Meaning of business environment

Business environment can be defined as "the forces, factors and institutions with which the businessman has to deal with to achieve its objectives."

Whenever any businessman is operating or working then he has to interact with the customers, suppliers and he has to perform the transactions within the rules and regulations of the government.



BUSINESS ENVIRONMENT

Features of business environment:-

1. **All the external forces** :- Business environment includes all the forces, institutions and factors which directly or indirectly affect the business organisation.
2. **specific and general forces** :- Business environment includes specific forces such as investors, customers, competitors and suppliers. Non-human or general forces are social, legal, technological, political, etc., which affect the business indirectly.
3. **Inter-relation** :- All the forces and factors of business environment are inter-related to each other. For example, with inclination of youth towards western culture, the demand for fast food is increasing.
4. **Uncertainty** :- It is very difficult to predict the changes of business environment. As environment is changing very fast for example in I.T, fashion industry is undergoing fast and frequent changes.

5. **Dynamic** :- Business environment is highly flexible and keep changing. It is not static or rigid that is why it is essential to monitor and scan the business environment.
6. **Complex** :- It is very difficult to understand the impact of business environment on the companies. Although it is easy to scan the environment but it is very difficult to know these changes will influence to business decisions. for example, a change in government policy to increase the tax rate by 5% may affect the income of company by a large amount.

Importance of business environment:-

1. **Enables the firm to identify the threats and early warning signal :-** The businessmen who are able to scan and understand the business environment on time get a warning signal to deal with the constraints of business environment. Timely scanning and qualitative information are taken as warning signal and timely actions according to it are taken.
2. **Enables the firm to identify opportunities and getting first mover advantage :-** The businessman who scan the opportunities of business environment at early stage can get maximum benefit to capture market. For example, Maruti was the first company to recognise the need for small cars in an environment of rising petrol prices and large middle class population in India so they became the leader in the small car market in India.

3. Helpful in tapping and assembling resources:-

Businessmen have to supply the goods to market according to the demand in market. To supply output they need input, raw materials, etc. They acquire raw materials and other resources keeping in mind the output demanded in the environment. For example, with the demand of LED, 3D T.V., etc. Manufacturers are collecting resources necessary to manufacture LED and 3D T.V, rather than collecting resources of black and white T.V., etc.

4. Help to Adjust and adapt with the rapid changes:-

Today changes are taking place very fast and these changes have great impact on business. so it is essential to understand these changes as early as possible. Business environment scanning helps the companies to scan and understand these changes with environment scanning. Therefore environment scanning helps in coping with the rapid changes.

5. *Assisting in planning and policy making :-* The major strategies or plans and policies in the organisation are formed keeping in mind business environment because the policies and strategies have to be implemented in the presence of environmental factors. So, these must be made keeping in mind the environmental factors. Scanning of environmental factors helps in finding out the opportunities of business and strategies can be made to grab these opportunities. For example, on scanning the Indian business environment we find there is a great scope for tourism industry in our country. So, businessmen are planning strategies to grab these opportunities.



DIMENSIONS
OF
BUSINESS
ENVIRONMENT

Dimensions of business environment mean all the factors, forces and institutions which have direct or indirect influence over the business transactions.



General environment is the most important environment of business as businessman cannot influence or change the components of general environment rather he has to change his plans and policies according to the changes taking place in general environment.

ECONOMICAL
ENVIRONMENT

Economical environment:-

The economic conditions of a nation refers to a set of economic factors that have a great influence on business organisations and their operations. This include gross domestic product, per capita income, foreign exchange reserve, strength of capital market, etc.



All business activities and operations that are directly influenced by the economic policies framed by the government from time to time. Some of the economic policies are :-

- Industrial policy
- Fiscal policy
- Monetary policy
- Export-Import policy, etc

The economic environment factors have immediate and direct impact on the businessman so businessman must scan the economic environment and take timely actions to deal with these environments. After the new economic policy of 1991, lot of opportunities are offered to businessmen. These environment may put constraints and may offer opportunities to the businessman.

Aspects of economic environment:-

1. Role of private and public sector
2. Rate of growth of GDP, GNP, per capita income
3. Rate of Saving and investment
4. Balance of trade
5. Balance of payment
6. Transport and Communication System
7. Money supply in the economy
8. International debt

Examples of economic environment:-

1. Rate of Growth of GDP:-



As shown in the above bar graph rate of gross domestic product (GDP) of the country is increasing over the years. GDP is an important aspect for a country. When GDP increases per capita income increases. As a result purchasing power of the people increases and corresponding to that demand of the goods also increases which is ultimately a beneficiary for business organisation. So, increase in GDP of the country shows development and facilitates the business and growth of the economy. Whereas decrease in GDP affects adversely to the business and show less growth and development.

2. Balance of payment :-

	Current year		Previous year	
	Jan-Mar 2015	FY15	Jan-Mar 2014	FY14
Merchandise	(32)	(144)	(31)	(148)
Invisibles	30	116	29	125
Services	19	79	20	78
Transfers	11	37	9	47
Income	(8)	(25)	(8)	(23)
Current Account	(2)	(28)	(1)	(23)
Foreign Investment	22	74	10	26
Foreign Direct Investment	10	33	1	22
Foreign Direct Investment in India	10	34	10	21
Foreign Direct Investment Abroad	(2)	(2)	(9)	(9)
Foreign Portfolio Investment	12	41	9	5
Foreign Portfolio Investment in India	12	41	10	5
Foreign Portfolio Investment Abroad	0	0	(1)	(1)
Loans	4	3	2	8
External Assistance	1	2	1	1
Commercial Borrowings (MT & LT)	2	3	5	12
Short Term Credit to India	2	(1)	(4)	(5)
Banking Capital	2	12	(2)	25
Commercial Banks	0	10	(2)	25
Others	1	2	0	0
Other Capital	3	1	(1)	(11)
Capital Account	31	90	9	49
Errors and Omissions	1	(1)	(1)	(1)
Overall Balance	30	61	7	16

Balance of payment shows the imports and exports of goods and services done by the country. Any change in balance of payment affects the businessman involved in the business of import-export. If the import increases it shows that we are dependent on foreign countries. On the other hand if the exports increases it means that we are in surplus situation and other countries are dependent on us for the supply.

3. Reserve Bank of India :-



Various financial sector reforms were made after new economic policy 1991 :-

- Role of RBI was changed from 'Regulator' to 'facilitator'.
- Cash reserve ratio (CRR) and statutory liquidity ratio (SLR) were reduced to increase the money supply in the market.
- Foreign investment limit was raised and made allow to invest in indian financial market under strict guidelines of Reserve Bank of India (RBI).

As a result there was a positive impact on the economy of India.

4. Demonetisation of Indian 500 and 1000 Rupees currency notes :-



As in India there are more cash transactions in the business, the demonetisation of Rs. 500 and 1000 Rs. notes recently hit the Indian economic environment and affected the business adversely. As it restricts the business transaction which affects the purchase and sell of goods and services. Due to this retail business market was adversely affected and demand of the products went down due to unavailability or shortage of currency notes.

SOCIAL
ENVIRONMENT

Social environment:-

The social environment of the business includes social factors like customs, traditional values, beliefs, poverty, education level, standard of living, and taste and preference, etc. The social structure and the values that a society cherishes have a considerable influence on the functioning of business firms. The businessman may not overlook the components of social environment as these components may have long period impact on the business but in the long run the social environment has great impact on the business firms.



Aspects of social environment:-

1. Quality of life
2. Importance or place of women in workforce
3. Birth and death rates
4. Attitude of customers towards innovation, lifestyle, etc.
5. Education and literacy rates
6. Consumption habits
7. population
8. Tradition, customs and habits of people.



Examples of social environment:-

1. Change in clothing style of the people:-



In today's world due to rapid changes taking place in fashion trends, people are changing their lifestyle rapidly. In olden days people used to wear a particular clothes for long period of time.



So, while comparing the clothing system we can say that people have started getting attracted to western clothes by giving up their traditional clothes. So there is great opportunity for businessman in doing business of western clothes.

2. Change in food habits :-

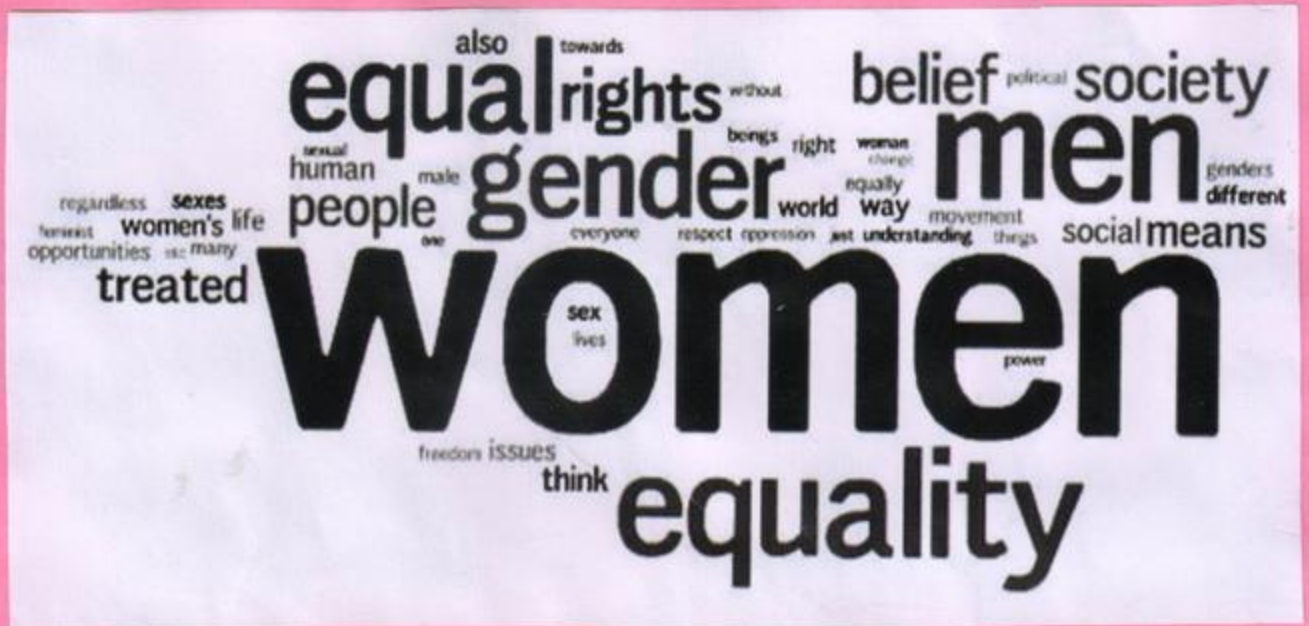


These food includes many healthy food items used in older days. As people are getting attracted to western culture they are also getting attracted to fast food and have decreased the consumption of traditional food. So, there is great demand for fast food and opportunities for businessman.

Due to its ready and cheap availability nowadays these foods are being produced widely because of the increasing demand.

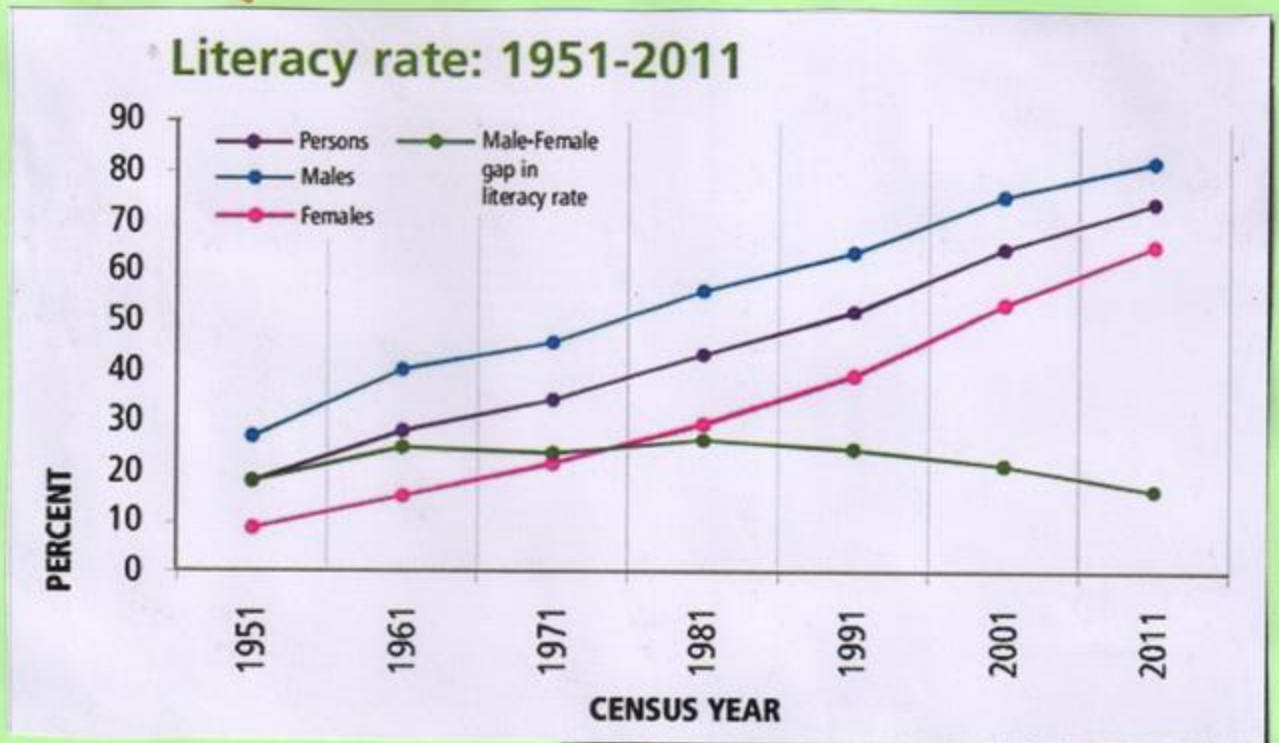


3. Importance or place of women in workforce :-



Equity for women isn't a women's issue. When women fulfill their potential, everyone benefits. Earlier women used to work in houses as housewives but due to significant changes in the social environment women have become the part of workforce. This has also given rise to women empowerment which means giving equal status to men and women in the society. Equity also means no discrimination on account of sex, religion, language, caste, belief or nationality.

4. Literacy rates in India :-

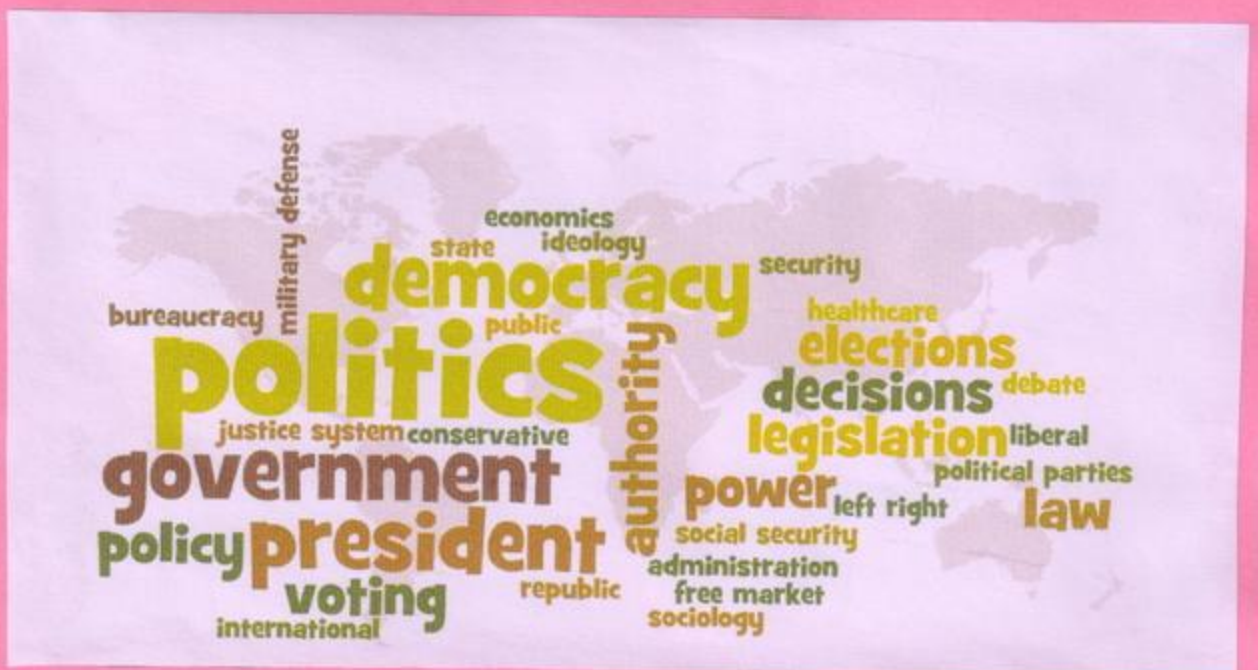


Literacy rate in India is a key for social - economic progress. As shown in the above graph people's ideology have changed and they have started educating their children and especially the girl child. Due to change in social environment literacy rate among male and female have increased significantly as shown in the Above graph over the years.

**POLITICAL
ENVIRONMENT**

Political environment:-

political environment consists of all the factors related to government affairs such as type of government in power, attitude of government towards different group of societies, policy changes implemented by different governments, etc. The political environment has immediate and great impact on business transactions. So businessman must scan this environment very carefully. The businessmen has to make changes in his organisation according to the changing factor of political environment.



Aspects of political environment:-

1. present political system.
2. Constitution of the country.
3. profile of political leaders.
4. Government intervention in business.
5. Foreign policy of government.
6. Values and ideology of political parties.



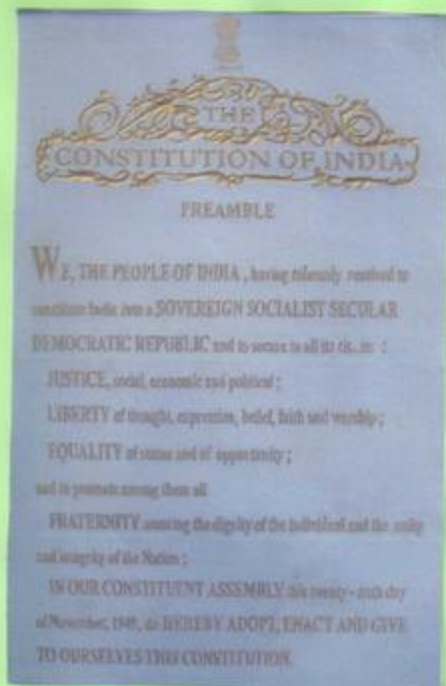
Examples of political environment:-

1. Foreign policy of Government :-



Currently, Modi government is in power which puts emphasis on more of foreign investment and foreign trade which creates wide range of opportunities for businessman doing foreign trade. Political leaders meet various other political leaders of the world to make better relationship in terms of financial and economical. As a result we can say that these policies of government may put constraints and may offer opportunities to the businessman.

2. Constitution of the Country :-



Constitution is the framework which defines the fundamental political principles, establishing the structure, procedures, power and duties of government bodies and a complete set of fundamental rights and duties of the citizens. The Constitution of India is the supreme law of India. So any changes in the Constitution of the country will affect the business directly either in favour or in against the business organisation.

3. Values and Ideology of political parties :-



- (i) **BJP** :- It stands for *Bhartiya Janata party*.
The BJP government promotes industrialisation at large scale and looks forward for the overall development of the country. Moreover they support the Hindu nationalism.
- (ii) **Congress** :- It stands for *Indian National Congress*.
These government promotes areas of agriculture, social - democracy, secularism, Gandhian socialism and social liberalisation.
- (iii) **AAP** :- It stands for *Aam Aadmi party*.
Ideology of AAP is democratic socialism and anti-corruption. They look forward for the development and upliftment of poor and normal people.

4. Swachha Bharat Abhiyan :-



The Campaign was officially launched on 2 October, 2014 at Rajghat, New Delhi, by prime minister Narendra Modi. It is India's largest ever cleanliness drive with 3 million government employees, especially school and college students from all parts of India, participating in the Campaign. It covered an area of 4041 statutory cities and towns to clean the streets, roads and infrastructure of the Country. The Campaign represents the political ideology of the BJP government.

LEGAL

ENVIRONMENT

Legal environment:-

Legal environment constitutes the laws and various legislations passed in the parliament. The businessman cannot overlook the legislations because he has to perform his business transactions within the framework of legal environment.

The Important Legislations that concern business are:-

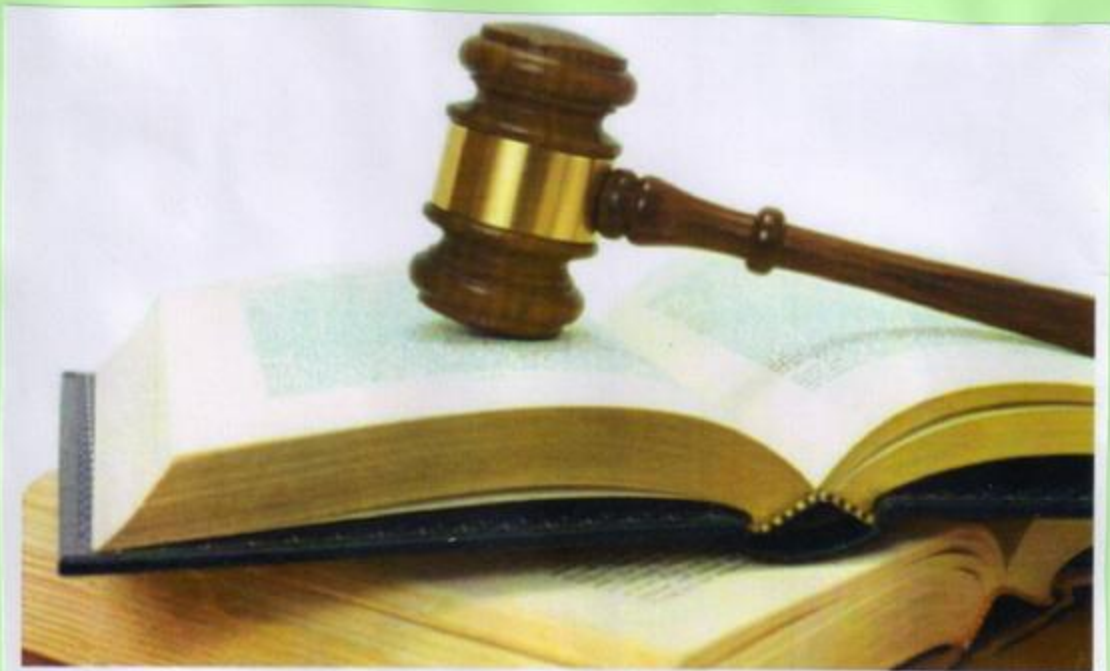
- (i) Trade mark Act, 1991
- (ii) Essential Commodity Act, 2002
- (iii) Consumer protection Act, (COPRA), 1986
- (iv) Companies Act, 1956.

Most of the time legal environments puts constraints on the businessman but sometimes they provide opportunities to the business organisation.



Examples of legal environment:-

1. Various laws and legislative acts .
2. Legal policies related to licensing
3. Legal policies related to foreign trade.
4. statutory warning essential to be printed on label.
5. Foreign exchange regulation and management Act.
6. Laws to keep a check on advertisements.



Legal Environment of business

Aspects of legal environment:-

1. Censor Certificate requirement for movies :-



In India it is legally compulsory for every movies to get pass through and get a clearance from the Central board of film certification or Censor board certificate to get released in the movie cinema. These authorities provides certificate on the basis of different categories like for only Adults , for everyone, etc. They can also ask for cutting down some scenes or to edit them which are not suitable or inappropriate to show the public. so film-makers cannot show anything to people as legally censor board don't allow them to do so with their permission and acceptance.

2. Advertisement of alcoholic product is prohibited :-



In India Advertisement of alcoholic products is prohibited by the law because it promotes negative habits and impression on the people of the society. So to increase the selling of their product they use various techniques like they advertise their product in some private channels by showing different products of the same brand. Maybe through the popular shows or by making advertisement sponsoring various games team matches, etc.

3. Statutory warnings essential to be printed on label :-



In India it is legally compulsory to print the statutory warning on tobacco products as these are anti-social products and can be proved to be injurious for the health of the consumer. The government proposed the larger warning size that covers 85% of the front and back of the packet with statutory warning. The larger size of warnings were initially scheduled to come into effect on 1st April, 2015.

4. Labelling of Veg. and Non-Veg. foods :-



package food products that are been sold in India are required to be labelled with a mandatory mark in order to distinguish between vegetarian and Non-vegetarian. The green symbol on products shows the vegetarian food. The red symbol on products shows the Non-vegetarian food. The government allows to put either of the symbol of Veg or Non-Veg according to the Content of food. To safeguard the Interest and the sentiments of the people, a food lable must have the identification mark 'veg' or 'Non-veg'. According to the Content and category of food.

TECHNOLOGICAL

ENVIRONMENT

Technological environment:-

Technological environment refers to changes taking place in the method of production, use of new equipment and machineries to improve the quality of product. The businessman must closely monitor the technological changes taking place in this industry because he will have to implement these changes to remain in the competitive market. Technological environment always brings changes in quality improvement and thus it benefits more to the customers. Nowadays, in fact no firm can afford to persist with the outdated technologies. A business has to adopt the technological changes from time to time.



Aspects of technological environment:-

1. Various innovations and inventions.
2. Scientific improvements.
3. Developments in I.T. sector.
4. Import and export of technology.
5. Technological advances in computers.
6. online booking of tickets.



Examples of technological environment:-

1. Change in farming methods :-



Earlier farmer used to have bullocks in the farm for various purposes but after new technological advancement now we have tractors in the field. It provided relief to the farmer as their work got easy, simplified and faster. It also gave businessman an opportunity to expand business of tractors and other modern farming equipments.



2. Early water supply and present water supply :-



Earlier, women had to walk several miles to get water but now due to technological advancement pipelines provide every houses with water. So people don't have to walk for water. Also business for Tapes, shower, Wash-basin, etc has increased which creates wider opportunities for the businessmen involved in this business.



Courtesy of WHO P. Virof

3. Changes in photo Copier and xerox machines :-



Earlier printers could only print black and white photo due to availability of only black ink. And no color print were offered by printers. Moreover machine used to be difficult to operate. But nowadays due to technological advancement modern printers offers both black and white and colour print as well. Moreover the overall efficiency of printers is increased which does work faster than old ones. Also operating has become easy & smooth.

