**UNIT – I**

**BUSINESS ENVIRONMENT**

**BUSINESS**

**MEANING :**

Business means to earn profit by supplying of goods and services.

**DEFINITION :**

Business is defined as human activity directed towards producing or acquising wealth through buying and selling of goods and services.

**CHARACTERISTIC OF BUSINESS :**

* Dealing in goods and services.
* Profit motive.
* Risk nature.
* Business is a social institution.
* Creation of utilities.
* Continuity and regularity in dealings.
* Entrepreneur.
* Consumer satisfaction.
* Technological improvement.
* Human objectives.

**GOAL OF BUSINESS :**

* Earning profit.
* Innovation and creativity.
* Employment opportunities.
* Job satisfaction.
* Services to the society.
* Efficient use of resources.

**BUSINESS ENVIRONMENT**

**MEANING :**

Business Environment refers to all factor that have an affect on Business decisions performance and organisation.

**DEFINITION :**

* Business environment is defined as all of the combination of internal and external factors influence organization functions.
* Comprises some factors that affect the organisation functioning.

**OBJECTIVES OF BUSINESS :**

* To develope strength and remove the weakness.
* To build image and reputations.
* To understand the future problems.
* To identify the opportunities.
* Optimum utilization of resources.
* To overcome competition.

**INTERNAL ENVIRONMENT :**

Internal environment comprises some factors that exist within the organization. it is a controllable nature. The internal factors are;

* Human resources.
* Company image.
* Value system.
* Objectives.
* Organization structure.
* Financial strength.

**EXTERNAL ENVIRONMENT :**

External environment comprises some factors that exist without the organization. It is uncontrollable nature. The external environment divided into two types;

● Micro environment.

● Macro environment.

**Micro Environment :**

Micro environment comprises some factors that directly affected the organisation functioning. The micro environment factors are ;

* Customer.
* Supplier.
* Inter mediators.
* Competitor.

**Macro Environment :**

Macro environment comprises some factors that indirectly affect the organization functioning. The macro environment factors are ;

* Demographic.
* Economical.
* Political.
* Social – cultural.
* Legal.
* Technological.

**Types of Business Environment**

**Internal External**

1. Human resources  **Micro**
2. Company image 1. Customer
3. Value system 2. Supplier
4. Objectives 3. Inter mediator
5. Organisational structure 4. Competitor
6. Financial strength  **Macro**
7. Demographic
8. Economical
9. Political
10. Social – cultural
11. Legal
12. Technological

**CRITICISM / ADVANTAGES / DISADVANTAGES / MERITS /DEMRITS / PORS, CONS OF BUSINESS ?**

**ADVANTAGES OF BUSINESS :**

* Independence.
* Life style.
* Financial rewards.
* Learning opportunities.
* Creative, Freedom and Personal satisfaction.

**DISADVANTAGES OF BUSINESS :**

* Risk.
* Stress.
* Time commitments.
* Lack of support.
* External factor.
* **UNIT – II**

**ECONOMIC ENVIRONMENT**

**MEANING :**

Economic environment comprises of various economic factors that influence the function of the business.

**FACTORS INFLUENCING ECONOMIC ENVIRONMENT :**

* Percapita Income.
* Purchasing power.
* Internet rates.
* Inflation.
* Economic system.
* Taxes tariff.
* GDP.
* Unemployment.
* Saving of investment.
* Size of the economics.

**ECONOMIC SYSTEM :**

Economic system is a system of production, distribution and consumptions of goods and services within the society.

1. What to produce ?
2. How to produce ?
3. Who gets / receive the products ?

**TYPES OF ECONOMIC SYSTEM :**

Economic system can be classified into three types ;

**Economic system**

Capitalism Socialism Mixed economy

**CAPITALISM :**

1. In this economic system based on the private ownership of factor of production.
2. Private ownership should be incharge of production, distribution and consumption of goods and services.
3. Pre – enterprise with very minimum government interference.

**( Eg : USA and China )**

What to produce ? Consumer needs and wants ?

* How to produce ?

Who gets / receive the purchasing product ?

**MEANING OF CAPITALISM :**

Capitalism is a system of economic organisation characterised by private ownership.

**Eg : US and China**

**SOCIALISM :**

1. Socialism economic system based on the government ownership factors of production.
2. Government should be incharge of production, distribution, consumption of goods and services.
3. Remove the inequalities and promote social welfare.

What to produce ?

How to produce ?

Who get / receive the product ?

**MEANING OF SOCIALISM :**

Socialism is the system of economic organisation regulated by government.

**FEATURES, CHARACTERISTICS OF ECONOMIC SYSTEM :**

|  |  |
| --- | --- |
| **CAPITALISM** | **SOCIALISM** |
| * Free enterprise. | * All property belongs to the government. |
| * Private ownership. | * Decision made by the government. |
| * Minimum government. | * Government ownership of factors of production. |
| * Competitive markets. | * Socialism based on the co –operation. |
| * Profit motive. | * Social welfare is the prime motive. |

**MIXED ECONOMY :**

Mixed economy is the combination of capitalism and socialism economic system.

1. **What to produce ?**

Partially consumer and government.

1. **How to produce ?**

Partially produced and government.

1. **Who get / receive the product ?**

Partially purchasing of government power.

**FEATURES (OR) CHARACTERISTICS OF MIXED ECONOMY :**

1. The factors of production are owned and operated by the government and private sector.
2. Decision make by partially government and capitalism.
3. Property is belongs to government and individuals of the firm.
4. Private firms have profit as the prime motive and social welfare is the motive of government.

**ECONOMIC PLANNING :**

Economic planning is the control and direction of the economy by a central authority for achieving targets within a specific time.

**OBJECTIVES OF ECONOMIC PLANNING :**

**TYPES OF ECONOMIC PLANNING :**

* Perspective planning.
* Five year planning.
* Annual planning.
* Rotting planning.

**PRIVATIZATION :**

Privatization means transfer of a business, industry or services from public to private ownership.

**OBJECTIVES OR BENEFITS OF PRIVATIZATION :**

1. Improve efficiency.
2. Increase competition.
3. Best services to the customer.
4. Use of updated technology.
5. Lack of political interference.
6. Short term view.

**INDIA FIVE YEAR PLAN :**

1. To achieve GDP growth.
2. To ensure sustained growth of agriculture industry and services.

**EXPLANATION OF THE PLAN :**

1. 12 – 14 % growth in manufacturing.
2. Improving industrial production.

**UNIT – III**

**POLITICAL ENVIRONMENT : (Meaning )**

1. Political environment comprises some political factors that affect the business functioning (i.e) legislature, executive, (or) implement government, judiciary.
2. Political environment influence business political factors such as political system, political policy, political roles.

**INSTITUTIONS OF POLITICAL SYSTEM :**

The political system can be classified into three types.

1. Legislature.
2. Executive (or) government.
3. Judiciary.

**LEGISLATURE :**

1. Legislature is considered as the powerful political institution.
2. The main powers of the legislature are policy making, law making, approving the budgets reflecting public opinion.
3. Legislature acting as the deciding factor for many important issues.
4. Member of parliament having authority to make legislature.

**EXECUTIVE OR GOVERNMENT :**

1. Government implements whatever decision made by the legislature.
2. Government enacts and enforce law and regulations under which the business function.
3. Government issue licences to business establishment.

**JUDICIARY :**

1. Judiciary has the power to settle legal disputes.
2. Disputes may arises between employer and employee, employee and employee, employer and public employer and government.

**RESPONSIBILITY OF GOVERNMENT TOWARDS BUSINESS :**

1. Enacting and enforcing law.
2. Maintaining law and order.
3. Providing monetary system.
4. Balanced regional development and growth.
5. Provision of basic infrastructure.
6. Supply of information.
7. Assistance to small – scale industries.
8. Transfer of technology.
9. Conducting inspections.
10. Incentives to home industries.

**RESPOSIBILITIES OF BUSINESS TOWARDS GOVERNMENT :**

1. Regular payment of tax.
2. Deduction of tax of sources.
3. Co-operative with the government.
4. Providing necessary information for taking the decision.

**ROLE OF GOVERNMENT IN BUSINESS :**

1. Regulatory role.
2. Participatory role (entrepreneur)
3. Promotional role.
4. Planning role.

**REGULATORY ROLE :**

Under that regulatory role, the government to measure and control the business functioning.

**OBJECTIVES OF REGULATORY ROLE :**

1. To reduce monopoly in the market.
2. To provide regional growth.
3. To encourage the new and small industries.
4. To standardize the private and public sector.

**GOVERNMENT REGULATE ECONOMIC ACTIVITIES BY DIRECT AND INDIRECT CONTROL :**

**DIRECT CONTROL :**

1. Fixation of prices of commodities.
2. Quantitative restriction on import and export.
3. Distribution of scare resources.
4. Licensing the goods like; Chemical, Defence, Railway.

**INDIRECT CONTROL :**

1. Tax regulation.
2. Measure to check economic power.
3. Preventions of monopolies.
4. Managerial remuneration.
5. Restriction on inter corporate investment.

**PARTICIPATORY ROLE :**

1. The government directly participates in economic activity by setting up public enterprises.
2. Private sectors alone can’t provide all essential goods required for the masses.

Ex: Railways, post and telegraph defence manufacturing, power plants, iron

and steel plants.

Government undertakes the enterprenarial role for the following reasons :

1. To promote social welfare.
2. To improve the standard of living.
3. To undertakes production of goods and services in national intrest.
4. To achieve self sufficiency.
5. To prevent monopolies.

**GOVERNMENT INTERVENTIONS :**

1. To ensure balanced regional development.
2. To generate revenues.
3. Constitutional role.
4. To protect national security.
5. To ensure access to essential goods.
6. To promote social and economic well being.
7. To monitor and prevent unfair trade practices.
8. Development of basis industries and infrastructure.
9. To influence consumption.
10. To revived the To overcome crises.
11. economy.

**UNIT – IV**

**MEANING :**

Financial environment comprises. Some financial factors that affect the business functioning.

The financial environment factors such as financial institutions, financial market, financial instrument / securities, financial services.

**FINANCIAL SYSTEM :**

**MEANING :**

Financial is an intermediatory channelizing (or) exchanging funds from those with surplus to those with surplus to those with shortage.

(or)

Exchange of funds between lenders, investors, borrowers.

**FUNCTIONING OF FINANCIAL SYSTEM :**

1. Savings and capital formation.
2. Providing liquidity.
3. Enable payments.
4. Risk management.
5. Providing information.
6. Global access to finance and returns.

**TYPES OF FINANCIAL SYSTEM :**

1. Financial institutions.
2. Financial market.
3. Financial instrument / security.
4. Financial services.

**FINANCIAL INSTITUTION :**

Financial institution are business organization dealing in financial resources it means accept deposit and lend money to the trade, industries and others.

The financial institutions are regulatory institution ( SEBI, RBI, IRDA ) Banking institution are commercial co-operative develope → mental bank ( SBI, Indian, ICICI, HDFC )

**FINANCIAL MARKETS :**

Financial market means buying and selling of financial securities and commodities.

**RBI :**

Reserve Bank of Indian – RBI is a Indian central banking institutions. Which control the monetary policy of the Indian rupee and regulatory other banks. It commended 1st April 1935 Governer with Patel.

**FUNCTIONS OF RBI :**

1. Issues of bank notes.
2. Banker to government.
3. Banker to bank.
4. Custodian of cash reserves.
5. Custodian of foreign currency.
6. Control of credit.
7. Clearance of Accounts settlement.

**COMMERCIAL BANKS :**

Commercial bank is an institution that provide services such as accepting deposit and lending money to the customer

**FUNCTIONS OF COMMERCIAL BANK :**

**PRIMARY FUNCTION SECONDARY FUNCTIONS**

* Accepting deposit. 1. Locker facility.

1. Saving deposit. 2. Overdraft.
2. Current deposit. 3. LOC ( letter of credit )
3. Fixed deposit. 4. Underwriting.
4. Recurring deposit. 5. Collection and payments.

* Lending Money ( Loan )

1. Cash / credit.
2. Demand loans.

**INTERNATIONAL ECONOMIC INSTITUTIONS :**

International economic institution are ;

1. WTO ( World Trade Organization).
2. WB ( World Trade Organization).
3. IMF ( International Monetary Funds ).

**WTO :**

**MEANING :**

* World trade organization is only international organization.
* Dealing with global rules of trade between the nations.

**OBJECTIVES :**

1. Improve the standard of living.
2. Optimum use of world resources.
3. Sustainable development.
4. Full employment.

**Functions :**

1. Set and enforce rules on international trade.
2. Reserve trade disputes.
3. Co-operate with other international organization.
4. It monitors national trade policies.
5. Forum for trade negotiation.
6. Transparency in decision making.
7. Help the developing country from global trade.

**WB :**

**MEANING :** World bank is an international financial institution that provide loan to the countries.

**IBRD** – ( International Bank for Reconstruction and Development)

**IDA** – ( International Development Association ).

**FUNCTIONS :**

1. Reduce poverty.
2. Facilitating economic growth.
3. Promoting and supplementing foreign investment.
4. Grating long term loan.
5. Establishment of peace time economy.
6. Encourage international trade.

**IMF - MEANING :**

IMF is an international financial assistance and advice to member countries.

**FUNCTIONS :**

1. Provide mechanism for foreign exchange transactions.
2. Provide temporary financial support.
3. Facilitating international trade.
4. Multilateral trade and payments.

**IMPORTANT QUESTIONS `:**

**UNIT - V**

**MEANING :** Social and cultural environment comprises some social and cultural factors that affect the business functioning factors such as;

* Social factor ( family, education, institution, religion )
* Cultural factor ( belief, values, attitudes, preferences )

**DEFINITION :**

Social – cultural environment defined a set of belief customs behaviour and preference that exist with in the population.

**FACTORS DETERMINING SOCIAL – CULTURAL ENVIRONMENT IMPACT / EFFECTS / INFLUENCING :**

* Religion and religious rituals.
* Food consumed.
* Customs and traditional.
* Mind set towards saving and loans.
* Family system and value.
* Marriage and business.
* Education and business.
* Design products and services.

**PEOPLE’S ATTITUDE TO BUSINESS AND WORKS.**

**MEANING OF ATTITUDE :** Attitude means a way of thinking or feeling about something.

**PEOPLE’S ATTITUDE TO BUSINESS :**

**POSITIVE ATTITUDE NEGATIVE ATTITUDE**

1. Independence. 1. Financial risk.
2. Life style. 2. Stress.
3. Financial reward. 3. Time commitments.
4. Learning opportunity. 4. Lack of government support.
5. Creative freedom and personal satisfaction. 5. External factors.

**PEOPLE’S ATTITUDE TOWARDS WORKS :**

**POSITIVE ATTITUDE :**

1. Part of a term.
2. Technology.
3. Decipline.
4. Retirement benefits.
5. Leave facilities.
6. Foreign benefits.

**NEGATIVE ATTITUDE :**

1. Fixed amount of salary.
2. Conflicts.
3. No decision making authority.
4. Dependent to others.
5. No flexible working time.
6. Social responsibilities.

**MEANING :**

Social responsibility is an ethical frame works of an organization ( or ) individuals has a obligation to act for the benefits of society.

**CORPORATE SOCIAL RESPONSIBILITY :**

Corporate social responsibility means obligation of an organization towards the welfare and interested of the society in which it operates.

**RESPONSIBILITIES OF CSR :**

1. Employees.
2. Customer.
3. Government.
4. Supplier.
5. Competitor.

**RESPONSIBILITIES TOWARDS CUSTOMER :**

1. Sale of goods at reasonable prices.
2. Truth full advertisement.
3. Compensating customer incase of defective products.
4. Provide good quality of product.
5. Avoiding tie-in sales.

**RESPONSIBILITIES TOWADRS employees :**

1. Not causing labour disputes in the competitors company.
2. Not spying into competitors plans and strategies.
3. Not causing damage to competitors product property.

**RESPOSIBILITY TOWARDS EMPLOYEES :**

1. Hiring on the basic of merits.
2. Dismissal of worker should be for proper reason.
3. Providing suitable compensation.
4. Providing social security.
5. Ensuring adequate safety measures.

**RESPONSIBILITY TOWARDS SUPPLIER :**

1. Accepting supplier made us per order.
2. Payment of bills on time.
3. Giving promote information in case of rejection goods.
4. Giving advance intimation of changes required.

**RESPONSIBILITY TOWARDS GOVERNMENT :**

1. Following government rules and regulations.
2. Maintaining fair trade practice payment of taxes.
3. Economic growth and development.
4. Balanced regional development.