



SATHYABAMA

INSTITUTE OF SCIENCE AND TECHNOLOGY
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SCHOOL OF MANAGEMENT STUDIES

UNIT – I – BUSINESS ENVIRONMENT – SBAA3002

UNIT 1- BUSINESS ENVIRONMENT

Meaning – Various Environments Affecting Business – Social, Economic, Political And Legal, Culture, Competitive Demographic, Technological And International Environments.

Business

A business is defined as an organization or enterprising entity engaged in commercial, industrial, or professional activities. ... The term "business" also refers to the organized efforts and activities of individuals to produce and sell goods and services for profit.

The word *business* comes from the word *busy*, and means doing things. There are big and small business. For example, one person can open a small Electrical-shop. or a big business, like Microsoft employs thousands of people all over the world.

A business (entity) is an organization or any other entity engaged in commercial, professional, charitable or industrial activities. It can be a for-profit entity or a not-for-profit entity and may or may not have a separate existence from the people/person controlling it.

A business (activity) is a commercial activity which involves providing goods or services with a primary motive of earning profits.

According to the traditional concept, business exists only to earn profits by providing the goods and services to the customers.

According to the modern concept, the underlying objective of every business is customer satisfaction as this is what results in most profits. If the customer is satisfied, business excels.

According to **Dicksee**, "Business refers to a form of activity conducted with an objective of earning profits for the benefit of those on whose behalf the activity is conducted."

Lewis Henry defines business as, "Human activity directed towards producing or acquiring wealth through buying and selling of goods.

Stephenson (2008) defines. Business as “The regular production or purchase and sale of goods undertaken with an objective of earning profit and acquiring wealth through the satisfaction of human wants.”

The characteristics or features of business

Exchange of goods and services

All business activities are directly or indirectly concerned with the exchange of goods or services for money or money's worth.

Dealing in numerous transactions

In business, the exchange of goods and services is a regular feature. A businessman regularly deals in a number of transactions and not just one or two transactions.

Profit is the main Objective

The business is carried on with the intention of earning a profit. The profit is a reward earned for the services of a businessman

Business skills for economic success

To be a good businessman, one needs to have good business qualities and skills. A businessman needs experience and ability to run a business.

Risks and Uncertainties

Business is subject to risks and uncertainties. Some risks, such as risks of loss due to fire and theft, can be covered with insurance. There are also uncertainties, such as loss due to changes in demand or fall in price which cannot be insured. These must be borne by the businessman.

Buyer and Seller

Every business transaction has a minimum of two parties: a buyer and a seller. Business is nothing but a contract or an agreement between the buyer and the seller.

Connected with production

Business activity may be connected with the production of goods or services. In this case, it is called an industrial activity. The industry may be primary or secondary. An example of a primary industry is farming. An example of a secondary industry is car manufacturing

Marketing and Distribution of goods

Business activity may be concerned with marketing or distribution of goods, in which case it is called a commercial activity.

Dealing in goods and services

Business deals in goods and services. Goods may be divided into two categories:

1. Consumer goods: Goods which are used by a final consumer are called consumer goods, e.g., furniture, soap, paper, etc.
2. Producer goods: Goods used by producers for further production are called producer goods, e.g., machinery, equipment, wood, etc. Services are intangible but can be exchanged for value, like providing transport, warehousing and insurance services, etc.

Satisfying human wants

The businessman desires to satisfy human wants through the conduct of business. By producing and supplying various commodities, businessmen try to promote consumer satisfaction.

Social obligations

Modern business is service oriented. Modern businessmen are conscious of their social responsibility. Today's business is service-oriented rather than profit-oriented.

Scope of business

1. **Improvement in standard of living** - Business helps people in general to improve their standard of living.
2. **Proper utilization of resources** - It leads to effective utilization of the scarce resources of society. It provided facility of mass production.

3. Better Quality & large variety of goods & service -It involves production, purchase & sale of goods & service for price. Customer satisfaction is the backbone of modern business. Services such as supply of water, electricity etc, may be considered highly significant for the community.

4. Creates utilities - business makes goods more useful to satisfy human wants.

It adds to products the utilities of person, time, place, form, knowledge etc. Thus, people are able to satisfy their wants effectively & economically.

5. Employment Opportunities - It provides employment opportunities to large number of people in society.

6. Workers welfare - business organization these days take care of various welfare activities for workers. They provide safer & healthier work Environment for employees.

OBJECTIVES OF BUSINESS

1. Profit Making

Profit is backbone of any business enterprise. It is excess of income over expenses. Profit is the main motivator, strong sustainers & judicious allocator of resources, objective indicator of efficient productivity & a solid basis for growth expansion & survival. It enables a businessman to realize his other objectives. ex:- Hospitals schools, Charitable institution & government agencies are not concerned with profits oriented

2. Growth

It is another primary objective of business. It should grow in all directions over a period of time. An enterprise which remains stagnant for long is presumed to suffer from an organic defect.

There are various strategies adopted to achieve growth

- i. Add more products or markets
- ii. Integration forward or backward.

- iii. Increase market share
- iv. Diversify business into new areas.
- v. Expand markets. Etc...

3. Power

Business has vast resources such as money, materials, men & know-how .These resources confer enormous economic & political power on owners & managers of business ventures.

4. Employee satisfaction & development

The Chinese proverb says, “if you want to plan for a year, plant corn. If your want to plan for thirty plant a tree. But if you want to plan for 100 years plant a men”. Carrying for employee satisfaction & their development has been one of the objectives of enlightened business enterprises.

5. Quality of Products & Services

This is one of the major objectives of business. Those who insisted on & persisted in quality survived competition & stayed ahead of other on the market persistent quality earns brand loyalty, a vital ingredient of success.

6. Market leadership

To earn market leadership is yet another objective of business. To earn a niche for oneself in the market innovation is the key factor. Innovation may be in product, advertising, distribution, finance or in any other field.

7. Challenging

Business offers vast scope & poses formidable challenges. Success in a business venture speaks of the abilities of individuals who own & manage & failure, their inability & incompetence. The real worth of an individual is tested more in business than in any other profession.

8. Service to Society

Business is a part of society & has several obligations towards it. The following are:

- i. Providing safe & quality of goods at reasonable prices.
- ii. Providing employment.
- iii. Patronizing cultural & religious activities.
- iv. Maintaining & protecting environment.

9. Good Corporate Citizenship

Citizenship implies that the business unit complies with the rules of the land, pay taxes to the government regularly discharge its obligation to society & cares for its employees & customers. Bending rules of the land, evading by tax payment sunder invoicing exports & dubious tax planning, cornering license at the cost of others, adulating quality of products & indulging in other unethical practices may earn money, but such practice hardly speak highly of corporate citizenship.

ENVIRONMENT

Environment is the sum of all living & nonliving things that surround an organism or group of organism. Environment includes all elements, factors & conditions that have some impact on the growth & development of certain organism.

All the physical surroundings on Earth are called the environment. The environment includes everything living and nonliving.

'Environment' simply means 'surroundings' (environs); hence the environment of an individual, object, element or system includes all of the other entities with which it is surrounded.

Environment is the nature and surroundings in which all plants, animals, humans and other living beings live and operate. ... It includes sunlight, atmosphere, land, water, plants, animals, sea life, minerals, different species and everything that occurs naturally on earth.

Environment functions

(1) Provides the supply of resources

The environment offers resources for production. It includes both renewable and non-renewable resources. Examples: Wood for furniture, soil, land, etc.

(2) Sustains life

The environment includes the Sun, soil, water, and air, which are essential for human life. It sustains life by providing genetic and biodiversity.

(3) Assimilates waste

Production and consumption activities generate waste. This occurs mostly in the form of garbage. The environment helps in getting rid of the garbage.

(4) Enhances the quality of life

The environment enhances the quality of life. Human beings enjoy the beauty of nature that includes rivers, mountains, deserts, etc. These add to the quality of life.

BUSINESS ENVIRONMENT

Business environment is an environment in which business is carried out. Business environment encompasses all those factors that affect a company's operations, including customers, competitors, suppliers, distributors, industry trends, substitutes, regulations, government activities, the economy, demographics, social & cultural factors, innovation & technological developments.

Business environment is the sum total of all factors external to the business firm and that greatly influences their functioning. It covers factors and forces like customers, competitors, suppliers, government, and the social, cultural, political, technological and legal conditions.

The term 'business environment' connotes external forces, factors and institutions that are beyond the control of the business and they affect the functioning of a business enterprise.

These include customers, competitors, suppliers, government, and the social, political, legal and technological factors etc.

While some of these factors or forces may have direct influence over the business firm, others may operate indirectly. Thus, business environment may be defined as the total surroundings, which have a direct or indirect bearing on the functioning of business. It may also be defined as the set of external factors, such as economic factors, social factors, political and legal factors, demographic factors, and technical factors etc., which are uncontrollable in nature and affects the business decisions of a firm.

Business Environment has been defined by Bayard O. Wheeler as “the total of all things external to firms and industries which affect their organization and operation”.

According to Arthur M. Weimer, business environment encompasses the ‘climate’ or set of conditions, economic, social, political or institutional in which business operations are conducted.

According to Glueck and Jauch, “The environment includes factors outside the firm which can lead to opportunities for or threats to the firm. Although there are many factors, the most important of the sectors are socio-economic, technological, supplier, competitors, and government.”

Features of Business Environment

Business Environment differs from place to place, region to region and country to country.

1. Environment is Complex:-

A business environment has a plethora of factors events, conditions, & influences arising from a variety of sources. Therefore, it is very difficult to understand all the factors affecting a given environment at any time. Although we can understand it in parts, it is impossible to grasp it in totality.

2. Environment is Dynamic:-

Business also keeps a changing constantly. This is due to a wide range of influencing factors. These factors create dynamism in the environment causing it to continuously change its shape & character.

3. Environment is Multifaceted:-

Due to complexity & dynamism of a business environment, it continuously changes its shape & character. However, different observers view the changes differently. Therefore a particular observer might see a specific change in the environment as an opportunity while someone else might perceive it a threat.

4. Environment has long term impact on business

Environment has long lasting impact on functioning of business organizations. Their growth & profitability depends upon the environment under which they have to operate. Environment influences business enterprises. Such influences may be positive or negative & may affect the profitability, efficiency & development of business.

5. Environment influences business organization

Businesses organization have limited capacity to influence business environment as it is the result of government policies & social & technological changes which are basically external variables.

6. Environment and business planning go together

Business environment & business planning are closely related concepts. In fact, planning is necessary in order to derive maximum benefit from favorable environment. Similarly, planning is useful for dealing with the problems created by unfavorable environment.

Importance of Business Environment

Identifying Firm's Strength and Weakness: Business environment helps to identify the individual strengths and weaknesses in view of the technological and global developments

Determining Opportunities and Threats: The interaction between the business and its environment would identify opportunities for and threats to the business. It helps the business enterprises for meeting the challenges successfully.

Giving Direction for Growth: The interaction with the environment leads to opening up new frontiers of growth for the business firms. It enables the business to identify the areas for growth and expansion of their activities

Continuous Learning: Environmental analysis makes the task of managers easier in dealing with business challenges. The managers are motivated to continuously update their knowledge, understanding and skills to meet the predicted changes in realm of business.

Image Building: Environmental understanding helps the business organizations in improving their image by showing their sensitivity to the environment within which they are working.

Meeting Competition: It helps the firms to analyze the competitors' strategies and formulate their own strategies accordingly.

Characteristics of Business Environment

Environment is Complex

Business environment is complex because it is continuously exposed to countless challenges, like technological disruptions, global competition, leadership change, shifting economic, social, and regulatory conditions etc. It is very stressful for a firm to survive and prosper in such an environment.

Environment is Dynamic

Both the internal and external environments of business are highly dynamic or vibrant owing to the following:

- Customer preferences keep evolving,
- New competitors enter the market.
- Arise of novel technology.
- New marketing channels.
- New resources.
- New policies.
- Changing demography.

Environmental analysis

Environmental analysis refers to the process of identifying the external and internal elements, which can affect the performance of an organization. The analyzed facts will then be used for formulating strategies and taking decisions, so as to exploit opportunities and enhance strengths, and to minimize threats and weaknesses.

Stages of environmental analysis

1. Scanning the environment.

Environmental scanning is primarily done for identifying the factors which may have implications on the business. This is the prime step to be done in environmental analysis. A good scanning of environment can reveal so many hidden factors in the environment.

2. Monitoring particular factors spotted.

In the process of scanning, some particular factors which need due attention might have been identified. At this stage of analysis, such factors or trends evolving should be undergone for keen understanding. The outputs of monitoring are therefore, a precise picture of the environmental issues, identification of tendencies for additional scrutiny and recognition of patterns demanding further scanning.

3. Forecasting

It refers to anticipating the future threats and opportunities for formulating strategic plans. It can be defined as Estimating the intensity, nature, and timing of the external forces that may affect the performance of a firm, disrupt its plans, or force a change in its strategies.

4. Assessment

Assessment refers to realizing implications or probable impacts of those factors which may cause threats and provides opportunities.

Environmental analysis has some advantages like better relationship between environment and organization, recognition of opportunities, threats, strengths and weaknesses by the organization, risk identification, efficiency in operation etc. Also it is not free from limitations. Its major drawbacks include wrong selection of variables for analysis, perceiving environmental analysis as a solution rather than a way for success etc.

SWOT Analysis

It is an important form of business environment analysis, which is accepted all over the world. A SWOT analysis (alternatively SWOT matrix) is a configured planning method used to assess the strengths, weaknesses, opportunities and threats involved in a project or in a business venture. It is not feasible for an organization to exploit all the opportunities present in the environment due to the short of strengths and abilities. It may also fail to successfully overcome threats due to the lack of capabilities. Proper Strength, Weaknesses, Opportunities, and Threats (SWOT) analysis may reveal that the company is not efficient in particular fields of business. It can give up such business activities and concentrate more on competent areas.

A firm's strengths are its resources and abilities that can be used as a foundation for expanding competitive advantage. It includes factors like better brands, reputation and goodwill, cost reduction etc. Similarly, weaknesses include those zones where the firm is not strong. For instance, high cost structure and inefficient production processes may keep a firm weak. Opportunities are the factors which open doors to profitability and expansion for a firm, and are present in the external environment of a business. Novel technologies developed, a particular need of consumers etc can be seen as opportunities for improvement. The vibrant external environment

can challenge the prosperity of an enterprise by throwing threats against it. Such threats include, a new policy of regulation by government, steeply increasing cost of raw materials etc.

In SWOT analysis, one has to identify all the four factors. Strengths should be enhanced and weaknesses should be eliminated for effectively reaping benefits of opportunities and avoiding challenges of threats.

Merits of SWOT analysis

- a. It is a source of information for strategic planning.
- b. Builds organization's strengths.
- c. Helps to deplete firm's weaknesses.
- d. Maximize organization's response to opportunities.
- e. Overcome organization's threats.
- f. It helps in identifying core competencies of the firm.
- g. It helps in setting of objectives for strategic planning.
- h. It gives a clear picture of the past, present and future aspects of the organization.

Element of Business Environment

Internal Environment

1. Plans & Policies

The plans and policies of the firm should be properly framed taking into consideration the objectives and resources of the firm. Proper plans and policies help the firm to accomplish its objectives.

2. Human Resource

The characteristics of human resource like skill, quality, morale, commitment can contribute to the success of the organization.

3. Financial Resources

Capital is the lifeblood of every business. Finance relates to money. A firm needs adequate funds to meet its working capital and fixed capital requirements.

4. Corporate Image

A firm should develop, maintain and enhance a good corporate image in the minds of employees, investors, customers etc. Poor corporate image is a weakness of the firm.

5. Plant and Machinery

Plant and machinery is the internal part of the business firm. If the machines are obsolete or outdated, they should be replaced by a new one, or that adversely affects the business firm.

6. Labor and Management Relationship

There should be smooth labor and management relationship. The management should understand the problems of their workers and gain confidence in them

.External Environment

Micro Environment

According to Philip Kotler, "Micro environment consist of the factors in the company's immediate environment which affects the performance of the business unit. These include suppliers, market intermediaries, competitors, customers and the public".

1. The customers

Consumer is the king of the market. They are the centers of the business. They are one of the most important factors in the external environment. Customer satisfaction has become more challenging due to globalization.

2. The competitors

The company has to identify its competitor's activities. Information must be collected about competitors in respect of their prices, products, and promotion and distribution strategies. World is becoming a global market.

3. The Suppliers

Suppliers supply raw material, machines, equipment's and other supplies. The company has to keep a watch over prices and quality of materials and machines supplied. It also has to maintain good relations with the suppliers

4. Society

Society affects company's decisions. The expectation of the society from the business is increasing. Therefore the business firm maintains public relations department to handle complaints, grievances and suggestions from general public. The members of the society include:

- i. Financial institutions
- ii. Shareholders
- iii. Government
- iv. Employees
- v. General public

5. Marketing intermediaries

Market intermediaries include agents and brokers who help the business firm to find the customers. They help the firm to promote and distribute the goods to the final consumers.

Macro Environment

According to Philip Kotler, “Macro environment create forces that creates opportunities and pose threats to the business unit. It includes economic, demographic, natural, technological, political and cultural environments.”

1. Demographic Environment

This refers to the size, density , distribution and growth rate of population. All these factors have a direct bearing on the demand for various goods and services.

2. Economic Environment

(a) Economic Conditions: The economic conditions of a nation refer to a set of economic factors that have great influence on business organizations and their operations. These include gross domestic product, per capita income, markets for goods and services, availability of capital, foreign exchange reserve, growth of foreign trade, strength of capital market etc. All these help in improving the pace of economic growth.

(b) Economic Policies: All business activities and operations are directly influenced by the economic policies framed by the government from time to time. Some of the important economic policies are:

- Monetary policy
- Industrial policy
- Fiscal policy
- Foreign investment policy
- Export –Import policy (Exim policy)

C) Economic System: The world economy is primarily governed by three types of economic systems, viz., (i) Capitalist economy; (ii) Socialist economy; and (iii) Mixed economy. India has adopted the mixed economy system which implies coexistence of public sector and private sector.

3. Technological Environment

Technology has brought about far reaching changes in the methods of production, quality of goods, productivity, and packaging. There is a constant technological development-taking place

4. Cultural Environment:

Culture involves knowledge, values, belief, morals, laws, customs, traditions etc. Culture passes from one generation to another through institutions like family, schools, and colleges

5. Political Environment

This includes the political system, the government policies and attitude towards the business community and the unionism. All these aspects have a bearing on the strategies adopted by the business firms.

6. Legal Environment

This refers to set of laws, regulations, which influence the business organizations and their operations. Every business organization has to obey, and work within the framework of the law . The important legislations that concern the business enterprises include:

- (i) Companies Act, 2013
- (ii) Foreign Exchange Management Act, 1999
- (iii) The Factories Act, 1948
- (iv) Industrial Disputes Act, 1972
- (v) Payment of Gratuity Act, 1972
- (vi) Industries (Development and Regulation) Act, 1951
- (vii) Bureau of Indian Standards Act, 1986
- (viii) Consumer Protection Act, 1986

(ix) Environment Protection Act

(x) Competition Act, 2002

7. Natural Environment:

Resource availability like land, water and mineral is the fundamental factor in the development of business organization. It includes natural resources, weather, climatic conditions, port facilities, factors such as soil, sea, rivers, rainfall etc.

8. International environment

International environment is very important for certain types of business. It is particularly important for industries directly depending on imports or exports. In shorts, following factors of International environment affect business: Globalization, International Institutions like WTO, World Bank, etc.

Questions

Part -A

1. Define the term 'Business Environment'.
2. Interpret the meaning of Internal Environment.
3. Recall the meaning of External Environment.
4. Reproduce the concept of Micro Environment
5. What do you understand by Macro Environment?
6. Identify the significance of understanding Business Environment.
7. Discuss the meaning of Political Environment.
8. Summarize how Economic Environment influences the business.
9. Classify any two nature of Business Environment.
10. Construct any two significance of Business Environment.
11. Classify the factors of Micro Environment.
12. Classify the factors of Macro Environment.

PART – B

1. Criticize the various components of Business Environment.
2. Evaluate the need to study Business Environment and the Micro Environmental factors that affect business.
3. Summarize the Macro Environmental factors that affect business organization.
4. Estimate in detail the external challenges faced by businessmen.
5. Measure the nature and significance of Business Environment
6. Predict the impact of Business Environment on business and strategic decisions.
7. Discuss the various techniques that business organizations can use to cope with changes in their environment.
8. Compare the various factors of Internal and External Environment of Business.
9. Explain in brief, the political, legal, cultural, economic and social environment and their impact on business.
10. Environment scanning should provide input to strategic decision making” Elaborate

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UNIT 2 BUSINESS AND CULTURE

Culture - Elements Of Culture – Impact Of Foreign Culture – Traditional Values And Its Impact – Change And Resistance To Change – Caste And Communities – Linguistic And Religious Groups – Joint Family System.

What is Culture?

Culture illustrates the accepted norms and values and traditional behavior of a group. Culture is a key component in business and has an impact on the strategic direction of business. Culture influences management, decisions and all business functions from accounting to production. A business culture will encompass an organization's values, visions, working style, beliefs and habits.

The word "culture" derives from a French term, which in turn derives from the Latin "colere," which means to tend to the earth and grow, or cultivation and nurture. "It shares its etymology with a number of other words related to actively fostering growth, "Culture can be defined as all the ways of life including arts, beliefs and institutions of a population that are passed down from generation to generation. A culture is "the complex of values, ideas, attitudes, and other meaningful symbols created by people to shape human behavior and the artifacts of that behavior as they are transmitted from one generation to the next. "The above definition highlights three important attributes of an individual's culture. First, it is 'created by people,' evolving due to human activities and passed on to the succeeding generations. Second, the impact of cultural influence is both intangible and tangible. People's basic attitudes and values are a direct result of their cultural environment. Beliefs in freedom of speech and choice, heterosexuality, and God are products of human action. Additionally, people leave physical evidence of their culture through art and craftwork, buildings, furniture, laws, and food.

Characteristics of Culture

Learned Behavior

Not all behavior is learned, but most of it is learned; combing one's hair, standing in line, telling jokes, and going to the movie all constitute behaviors that had to be learned. Sometimes the terms conscious learning and unconscious learning are used to distinguish the learning. Some behavior

is obvious. People can be seen going to football games, eating with forks, or driving automobiles. Such behavior is called “overt” behavior. Other behavior is less visible.

Culture is Abstract

Culture exists in the minds or habits of the members of society. Culture is the shared ways of doing and thinking. There are degrees of visibility of cultural behavior, ranging from persons’ regularized activities to their internal reasons for so doing. In other words, we cannot see culture as such; we can only see human behavior. This behavior occurs in a regular, patterned fashion, and it is called culture.

Culture Includes Attitudes, Values, and Knowledge

There is a widespread error in the thinking of many people who tend to regard the ideas, attitudes, and notions they have as “their own.” It is easy to overestimate the uniqueness of one’s own attitudes and ideas. When there is an agreement with other people, it is largely unnoticed, but when there is a disagreement or difference, one is usually conscious of it. Your differences, however, may also be cultural. For example, suppose you are a Muslim, and the other person is a Christian.

Culture is Dynamic

This simply means that cultures interact and change. Because most cultures are in contact with other cultures, they exchange ideas and symbols. All cultures change. Otherwise, they would have problems adapting to changing environments. And because cultures are integrated, the entire system must likely adjust if one component in the system changes.

Culture is Transmissive

Culture is transmissive as it is transmitted from one generation to another. Language is the main vehicle of culture. Language in different forms makes it possible for the present generation to understand the achievement of earlier generations. Transmission of culture may take place by imitation as well as by instruction.

Culture Varies from Society to Society

Every society has a culture of its own. It differs from society to society. The culture of every society is unique to itself. Cultures are not uniform. Cultural elements like customs, traditions, morals, values, beliefs are not uniform everywhere. Culture varies from time to time also.

Culture is Gratifying

Culture provides proper opportunities for the satisfaction of our needs and desires. Our needs, both biological and social, are fulfilled in cultural ways. Culture determines and guides various activities of man. Thus, culture is defined as the process through which human beings satisfy their wants. So we can easily say that culture has various features that embodied it in an important position in organizations and other aspects.

Elements of Culture

Culture is transmitted to employees in many ways. The most significant are stories, rituals, material symbols, and language. Society's culture also comprises the shared values, understandings, assumptions, and goals that are learned from earlier generations, imposed by present members of society, and passed on to succeeding generations.

Languages

It is a primary means used to transmit information and ideas. Knowledge of local language can help because-It permits a clearer understanding of the situation. It provides direct access to local people. Understanding of implied meanings. learn language from their culture just as they learn about shaking hands, about gestures, and about the significance of the flag and other symbols. Humans have a capacity for language that no other animal species possesses. Our capacity for language in turn helps make our complex culture possible.

Religion: Religion is a set of organized beliefs, practices, and systems that most often relate to belief and worship of a controlling force such as a personal God or another supernatural being. religion can play an important role in an individual's life and experiences and can even improve health and well-being. In fact, studies have shown that religion can help people develop healthy habits, regulate their behaviors, and understand their emotions—all factors that can affect your health. The spiritual beliefs of a society are often so powerful that they transcend other cultural

Informal norms, also called folkways and customs, refer to standards of behavior that are considered less important but still influence how we behave.

Symbols - A symbol is a mark, sign, or word that indicates, signifies, or is understood as representing an idea, object, or relationship. ... Symbols take the form of words, sounds, gestures, ideas, or visual images and are used to convey other ideas and beliefs. Every culture is filled with symbols of things that stand for something else, which often suggests various reactions and emotions. Some symbols are actually types of nonverbal communication, while other symbols are, in fact, material objects.

Customs and Manners

Customs are common and establish practices. Manners are behaviors that are regarded as appropriate in a particular society. These indicate the rules of behavior that enforce ideas of right and wrong. They can be the traditions, rules, written laws, etc.

Material Culture

Another cultural element is the artifacts, or material objects, that constitute a society's material culture. It consists of objects that people make. Like-Economic infrastructure (transportation, communication, and energy capabilities)Social infrastructure (Health, housing, and education systems)Financial infrastructure (Banking, insurance, and financial services)

Education -the process of receiving or giving systematic instruction, especially at a school or university. Education can be thought of as the transmission of the values and accumulated knowledge of a society

Physical Artifacts

These are the tangible manifestations and key elements of organizational culture. If you visit different organizations, you'll notice that each is unique in terms of its physical layout, use of facilities, centralization or dispersion of common utilities, and so on. They represent the symbolic expressions of an underlying meaning, values, and beliefs shared by people in the organization. The workplace culture greatly affects the performance of an organization.

Ceremonies and Celebrations

These are consciously enacted behavioral artifacts which help in reinforcing the organization's cultural values and assumptions. For example, every year, Tata Steel celebrates Founder's Day to commemorate and reiterate its adherence to the organization's original values.

Behavioral Norms

This is one of the most important elements of organizational culture. They describe the nature of expectations, which impinge on the members' behavior. Behavioral norms determine how the members will behave, interact, and relate with each other.

Joint Family System in India

According to Smt. Iravati Karve, "A joint family is a group of people who generally live under one roof, who eat food cooked at one hearth(house), who hold property in common and who participate in common worship and are related to each other as some particular type of Kindred (one's family and relations)." (2) According to K.M. Kapadia, "Joint family is a group formed not only of a couple and their children but also other relations either from father's side or from mother's side depending on whether the joint family is patrilineal (based on relationship to the father) or matrilineal. "In a Joint Family System basically all the members of the family live together under one roof and are related to each other. Property belongs to the family as a whole and all family income is pooled together. In this system everyone learns according to his capacity and gets according to his needs and requirements.

Characteristics of Joint Family System

1. The head of the family is given maximum power and authority.
2. The land and property belong to the family as a whole. The head of the family considered as trustee of the property.
3. Income sources are pooled together.
4. All members earn as per their capacity but spend as per the needs of the family.
5. Same gods and goddesses are worshiped.
6. Joint family has common sufferings and rejoicing.

7. Family as a whole owns the entire means, production and consumption.

8. There is security against unemployment, sickness, old age etc.

Impact of Joint Family System on Indian Business

Joint family system has a positive impact on social and cultural level in India. However, it exerts a negative influence on Indian business. In joint family system, all members of the family live together and in such a set up increase in number of members will result in increase in population without the creation of additional purchasing power particularly for luxurious goods. In a joint family system, members of the family hesitate to move away from their family for taking up employment in distant place. It makes cost of labor high. The orthodoxy and conservatism in joint family system leads to technological backwardness in Indian business.

Features or Characteristics of Joint Family

(1) Large in Size:

The most important characteristic of joint family is that it is large in size. Because it consists of members of three to four generations. It includes parents, grandparents, children grandchildren and other close blood relatives. Several nuclear families live together as one and constitute a joint family.

(2) Joint Property:

Joint or common property is another important characteristic of joint family. All movable and immovable property of the family held jointly. Ownership, production and consumption of property take place jointly. All the members pool their income in a common family fund from which expenditure is incurred equally irrespective of their income. The head of the family acts as a trustee of the family property and looks towards the material and spiritual welfare of the family members. A family continue to remain joint till it's property held jointly. Division of property means division of family.

(3) Common Kitchen:

All the members of joint family eat food cooked at one hearth. There is division of work in a joint family. Male members work in the field whereas female members remain engaged in the hearth.

The eldest female member remains in charge of the kitchen and supervises the work of other women. This joint kitchen keeps the joint family integrated.

(4) Common Residence:

All the members of a joint family live under a common roof or in a common residence. This joint living creates a sense of unity among all the members of the family. As the joint family consists of several nuclear families when it became too large and the accommodation became insufficient they may live in separate houses in close proximity to one another. Thus living in a common residence all the members eat similar type of food, wear similar type of dresses and show similar type of behavior.

(5) Common Worship:

All the members of a joint family believe in a particular religion and worship common gods and goddesses. This common god is known as 'kula devatas'. All the members participate in common prayer and worship their 'kula devatas' jointly. They have similar faith and beliefs. All the members celebrate religious rites, duties and festivals jointly. This joint worship passes from generation to generation.

(6) Similar rights and obligations:

All the members of the joint family except the head enjoy similar rights and show similar obligations towards each other. This keeps the joint family integrated. Each member remains conscious about his rights and obligations.

(7) Close blood ties:

All the members of joint family are bound by close blood ties. In other words there exists close blood relationships among the members of joint family.

(8) Absolute power of the head:

In a joint family the eldest male member or the head enjoys absolute power over others. In every respect his decision is final and binding.

What Is Resistance to Change?

Resistance to change is the act of opposing or struggling with modifications or transformations that alter the status quo. This resistance can manifest itself in one employee, or in the workplace as a whole. Resistance to change is the unwillingness to adapt to altered circumstances. It can be covert or overt, organized, or individual. Employees may realize they don't like or want a change and resist publicly, and that can be very disruptive. Employees can also feel uncomfortable with the changes introduced and resist, sometimes unknowingly, through their actions, their language, and in the stories and conversations, they share in the workplace. One of the most important tasks of managers is to facilitate changes smoothly. Change is always inevitable but so is resistance to change. It is basic human nature of people to try and keep their methods and customs constant. This is where change management comes into play. An organization always must strive to adapt to change if it wants to be successful.

Resistance to Change Meaning in Organizational Context

The resistance to change meaning can be defined as a major obstacle in the way of development with new technology and methodologies. Change in the techniques and organizational structure comes at regular intervals. However, with pre-existing methods, individuals become reluctant to learn and implement the new techniques bringing in a resistance to change. Resistance can be in the form of protests and strikes by employees, or even in the form of implicit behavior. The organization with its managers must take up initiatives in managing resistance to change and in the process develop a gradual adaptation to change ensuring productivity as well as efficiency at work.

Reasons for Resistance to Change

The common causes of resistance to change in all organizations are stated below. People are not willing to go out of their comfort zones defined by some existing methods for learning something new. Changes in methods and techniques come with a change in power, responsibilities as well as influence. Organizational resistance to change comes in from people negatively affected by the changes implemented. Insecurity, laziness and lack of creative approach make people cling to the pre-existing customs thereby resisting changes.

Reasons for Resistance to Change

In order to facilitate transitions and changes, managers must first be able to identify the exact reason for resistance. Such resistance to change is common in all organizations. The following are some common reasons for this People generally find it convenient to continue doing something as they have always been doing. Making them learn something new is difficult. Changes always bring about alterations in a person's duties, powers, and influence. Hence, the people to whom such changes will affect negatively will always resist. People who are adamant on maintaining customs instead of taking risks and doing new things will always resist changes. This can happen either due to their insecurities or lack of creativity and will.

Managing Resistance to Change

An organization's effort in managing resistance to change should come with proper education and training of the employees of the changes implemented. For a smooth change to facilitate, the organization has to take care of the considerations stated below Changes should come in stages. A one-time major change would straightaway put operations into a stop. Changes should not affect the security of workers. Leadership qualities in managers with initial adaptations would gradually encourage employees to do so. An opinion must be taken from the employees who will ultimately be subject to the changes. Educating the employees and training them with the new methodology will boost up their confidence and build their efficiency.

Why People Resist Change

(1) Loss of status or job security in the organization

It is not our nature to make changes that we view as harmful to our current situation. In an organizational setting, this means employees, peers, and managers will resist administrative and technological changes that result in their role being eliminated or reduced. From their perspective, your change is harmful to their place in the organization Forcing a change on others has its place.

2) Poorly aligned (non-reinforcing) reward systems

There is a common business saying that managers get what they reward. Organizational stakeholders will resist change when they do not see any rewards. When working with managers, I will ask them, Where is the reward to employees for implementing your change?

Without a reward, there is no motivation for your team to support your change over the long term. This often means that organizational reward systems must be altered in some way to support the change that you want to implement. The change does not have to always be major or costly. Intrinsic rewards are very powerful motivators in the workplace that are non-monetary.

(3) Surprise and fear of the unknown

The less your team members know about the change and its impact on them, the more fearful they will become. Leading change also requires not springing surprises on the organization! Your organization needs to be prepared for the change. In the absence of continuing two-way communication with you, grapevine rumors fill the void and sabotage the change effort. In fact, ongoing communication is one of your most critical tools for handling resistance to change. But, it's not just telling! The neglected part of two-way communication — listening — is just as powerful.

(4) Peer pressure.

Whether we are introverted or extroverted, we are still social creatures. Organizational stakeholders will resist change to protect the interests of a group. You might see this among some of your team members who feel compelled to resist your change to protect their co-workers. If you're a senior executive or middle manager, your managers who report to you may will resist your change effort to protect their work groups. As the psychologist Abraham Maslow discussed, the need to belong to a group is a powerful need in the workplace. If your change effort threatens these workplace social bonds, some of your team members may resist your change effort.

(5) Climate of mistrust

Meaningful organizational change does not occur in a climate of mistrust. Trust, involves faith in the intentions and behavior of others. Mutual mistrust will doom an otherwise well-conceived change initiative to failure. If you are trying to implement your change effort in an environment where most of the people working with you mistrust each other, you'll have limited success. You'll need to spend some time rebuilding trust if you want better results from your change effort.

(6) Organizational politics

Some resist change as a political strategy to “prove” that the decision is wrong. They may also resist showing that the person leading the change is not up to the task. Others may resist because they will lose some power in the organizational. In these instances, these individuals are committed to seeing the change effort fail. Sometimes when I work with managers they become frustrated with the political resistance that they encounter from others. Political obstacles are frustrating when you are trying to implement needed change. My advice to you is to acknowledge what you are feeling and then take positive steps to counter the organizational resistance you are facing.

(7) Fear of failure

Sweeping changes on the job can cause your team members to doubt their capabilities to perform their duties. What is known is comfortable! Your team members may be resisting these changes because they are worried that they cannot adapt to new work requirements. Fear is a powerful motivator that can harden people’s intent to resist your efforts to implement change. If you want your change effort to be successful, you’ll need to help your team member’s move beyond these fears.

The Major Religions In India

Religion functions as a historical force, indirectly affecting business behavior. It can also be a regulatory force and affects business more directly. Finally, religious institutions are part of the ongoing conversation about responsible business behavior and as such play a variety of interlocking roles. Approximately 1.2 billion people in the world currently practice Hinduism, with 95 percent living in India. Because of this high number, it is easily the most popular religion in the region, with roughly 79.8 percent of India’s total population self-identifying as Hindu. Experts have dated Hinduism as far back as 4,000 years. Even though many link it to the early Indus Valley Civilization, it does not have a particular beginning, but instead has been founded over many years. Based on various practices and philosophies, it is more of a way of life than a religion in the traditional sense. As a general rule, Hindus uphold themselves to a strict moral code, believing in such concepts as reincarnation and karma. Hinduism embraces many religious ideas. For this reason, it’s sometimes referred to as a “way of life” or a “family of religions,” as opposed to a single, organized religion. Most forms of Hinduism are henotheistic, which means

they worship a single deity, known as “Brahman,” but still recognize other gods and goddesses. Followers believe there are multiple paths to reaching their god. Hindus believe in the doctrines of samsara (the continuous cycle of life, death, and reincarnation) and karma (the universal law of cause and effect). One of the key thoughts of Hinduism is “atman,” or the belief in soul. This philosophy holds that living creatures have a soul, and they’re all part of the supreme soul. The goal is to achieve “moksha,” or salvation, which ends the cycle of rebirths to become part of the absolute soul. One fundamental principle of the religion is the idea that people’s actions and thoughts directly determine their current life and future lives. Hindus strive to achieve dharma, which is a code of living that emphasizes good conduct and morality. Hindus reverence (deep respect for someone) all living creatures and consider the cow a sacred animal. Food is an important part of life for Hindus. Most don’t eat beef or pork, and many are vegetarians. Hinduism is closely related to other Indian religions, including Buddhism, Sikhism and Jainism. Islam the second-largest religion in the world with 1.8 billion followers, it is also the second most popular religion in India. Approximately 14.2 percent of its total population practice it. India has the third-largest population of Muslims in the world, after Indonesia and Pakistan.

Muhammad

The prophet Muhammad, sometimes spelled Mohammed or Mohammad, was born in Mecca, Saudi Arabia, in 570 A.D. Muslims believe he was the final prophet sent by God to reveal their faith to mankind. According to Islamic texts and tradition, an angel named Gabriel visited Muhammad in 610 A.D. while he was meditating in a cave. The angel ordered Muhammad to recite the words of Allah. Muslims believe that Muhammad continued to receive revelations from Allah throughout the rest of his life. Starting in about 613, Muhammad began preaching throughout Mecca the messages he received. He taught that there was no other God but Allah and that Muslims should devote their lives to this God. With roughly 2.3 billion followers, Christianity is the largest religion in the world. In India, it is the third most popular religion. Approximately 2.3 percent of its total population adheres to Christian beliefs. Similar to Islam, Christianity is a monotheistic religion, but God as an entity is considered to be built up of three components: the father, the son, and the Holy Spirit. The son refers to Jesus Christ who died on the cross for our sins, only to be resurrected three days later. Christians believe in the Second Coming, that one day Jesus will return to Earth. This is described in the Bible, the most sacred Christian text, which is cleanly divided into two halves: the Old and New Testaments.

Sikhism is the fifth most popular religion in the world, with approximately 25 million followers. While they make up only 1.7 percent of India's total population, the country has the highest number of Sikhs anywhere. Roughly 77 percent of this 1.7 reside in Punjab, a state located in northern India. Sikhism originated in Punjab around the late 1400s. It is primarily based on the spiritual teachings of Guru Nanak and the nine other gurus that continued his work. Similar to Hinduism, it is considered a philosophy just as much as a religion. While many Sikhs deny the following claim, scholars argue that Sikhism first developed within Hinduism. It is a monotheistic religion that preaches equality. Sikhs believe that if you lead a good life, you will be rewarded by being with God after death, but if not, you will be reborn and forced to live again. With approximately 535 million followers, eight to ten percent of the world's population identify as Buddhist.

While Buddhism was founded in India roughly 2,500 years ago, it has become more popular in other Asian countries like Cambodia and Thailand. Today, 0.7 percent of India's total population adhere to Buddhist beliefs. Buddhism found its roots with Siddhartha Gautama—the Buddha—in the 5th century BCE once he had achieved an enlightened, spiritual state. Buddha is not considered a god; in fact, Buddhists do not believe in any single deity. Rather, they channel like energy on achieving inner peace, much like Buddha. Because of this, meditation is a very common practice. Buddhism as a religion and a general way of life preaches selflessness and tolerance of others. It is continuously evolving and embraces familiar concepts of reincarnation and karma.

Indian Value System:

India has a place of pride in a strong ethical base. It needs to be rekindled by proper education to our young and budding managers. Indian ethico-moral discussions go back to three and half millennia when Vedas specified the ground rules of human existence and living. The ethical discussions and teaching continued all through Indian history though India was ruled by different emperors and foreign rulers.

- i. Treat people decently. Respect all stakeholders' opinions, background, privacy dignity and desire to grow.
- ii. All people are having egos and selfish nature. Respect diversity.
- iii. Companies or business is created to serve people and all stakeholders.

- iv. Some are more intelligent and powerful but protect the weak.
- v. Look inside sitting alone and think is it right? Is it fair? Will it do good to all?
- vi. Be good, do good to as many and as much.

Questions

1. Define the term Culture
2. State the meaning of Joint family system.
3. List the impact of foreign culture in India.
4. Reproduce the linguistic and religious groups.
5. Estimate the features of Joint family system.
6. Identify the implications of caste system for business.
7. Construct the reasons for resistance to change in the organization.
8. Sketch out the different caste system in India
9. Discover the impact of culture on business.
10. Classify the different religious groups in India.

PART – B

1. Enumerate on the emerging global culture and its implications for business.
2. Explain the role of religion in shaping society. How it affects business?
3. Summarize the important features of Indian Culture? How does the Culture affect the Business?
4. Evaluate the role of values shaping the behavior of people in the society and the Business.
5. Criticize the different methods adapted in the organization to overcome the resistance to change.
6. Measure the different caste system followed in India and explain its impact on business.
7. Recommend any three major religious groups in India and how it shapes the behavior of people.
8. Predict the benefits of Joint family system and its impact on business.

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SCHOOL OF MANAGEMENT STUDIES

UNIT – III – BUSINESS ENVIRONMENT – SBAA3002

UNIT 3 BUSINESS AND SOCIETY

Social Responsibilities of Business – Responsibilities to Shareholders – Responsibility to Employees – Responsibility to Customer – Responsibility to Community – Responsibility to Government – Business Ethics – Population Demographic pattern Changes – Slandered of Living – Urbanization – Migration.

Social Responsibilities of Business

Every business operates within a society. It uses the resources of the society and depends on the society for its functioning. This creates an obligation on the part of business to look after the welfare of society. So all the activities of the business should be such that they will not harm, rather they will protect and contribute to the interests of the society. Social responsibility of business refers to all such duties and obligations of business directed towards the welfare of society. These duties can be a part of the routine functions of carrying on business activity or they may be an additional function of carrying out welfare activity.

Concept of Social Responsibility

people engage in business to earn profit. However, profit making is not the sole function of business. It performs a number of social functions, as it is a part of the society. It takes care of those who are instrumental in securing its existence and survival like- the owners, investors, employees, consumers and government in particular and the society and community in general. So, every business must contribute in some way or the other for their benefit. For example, every business must ensure a satisfactory rate of return to investors, provide good salary, security and proper working condition to its employees, make available quality products at reasonable price to its consumers, maintain the environment properly etc

Responsibilities towards Investors

1. Return on Investment - Investor invests their money in business and accepts risk factor. This should be adequately recognized by business. They should get fair returns on investment regularly in the form of interest. Following points should be considered.

Fair return on investment.

Safety of investment.

Steady appreciation of business.

2. Proper Disclosure of Information - Management should present full and factual information to investors. They should get regular reports, circular and statements of profit. The financial performance of company must be provided correctly so that prospective investors can take right decisions to invest in future. This will ensure them that their investment is safe.

3. To Maintain Transparency: - Investors provide working capital to run business efficiently. Business should maintain high degree of transparency in its operation. It is expected from suppliers of funds.

4. Handling Grievances - A company should handle investor's grievances if any. There should be effective methodology for this purpose. All queries regarding any other issue must be answered satisfactorily way.

5. Proper Conduct of Meetings - company should call meetings of investors regularly to provide information about business. Proper notices of meetings should be sent. In period of crisis, investors should be taken into confidence. Factors responsible for failure should be known to investors.

6. To maintain Solvency and prestige - Business should maintain sound financial position, solvency, prestige and goodwill to satisfy investors. Business should take continuous efforts for research innovation and expansion program.

Responsibilities towards Employees

1. Job Security - Some companies employ workers on temporary basis for years together. Employees should get guarantee of employment. Security of job provides mental peace and employees can work with full dedication concentration. It will raise their moral and loyalty towards organization.

2. Fair Remuneration and allowances - A business organizations must pay adequate wages and other incentives like bonus, overtime allowance etc. Remuneration should be fixed according to

nature and importance of work. Suitable wages plans providing increments and revision of wages is essential.

3. Good working conditions - The employees should be provided with good working conditions such as adequate lighting, ventilation, drinking water, etc. Necessary steps should be taken to avoid air, water and sound pollution. Provisions of proper working conditions increasing the efficiency of the employees.

4. Protect Health and Provide Safety Measures - Business should protect health and hygiene of employees. Canteen facilities, medical facilities as well as proper sanitation must be provided to workers. Proper maintenance of a machines and premises must be done to prevent accidents and control pollution.

5. Promotion and Career Opportunities - Business should offer adequate opportunities of promotion to their talented employees. They should give proper information about qualifications, skills and experience required to obtain promotion. It will increase awareness among employees, and they will be motivated to take efforts.

6. Workers Participation in Management - Workers should be encouraged to participate in management through various schemes such as common suggestion system to save cost, quality circles, profit sharing, co-partnership, etc. it will raise their moral and give them a sense of belonging to organization.

7. Education and Training - Organization should make every possible attempt to educate employees. Guidance and methods of trainings depends on nature of job. "Introduction Training", "Refresher Training" is conducted to keep employees updated on latest development. Training makes employee confident and also it increases their efficiency.

8. Proper Grievances Procedure - There should be proper grievances procedure to handle employee complaint. All queries should be sorted quickly. The employees must feel satisfied. Investigations and necessary actions should be taken to settle their grievances.

Social Responsibility towards Consumers

1. Good Quality Products - A business enterprise should provide higher quality of goods and services. Every organization should have its quality control department so that inferior and substandard products can be rejected. International Standard Organization, ISO is the latest trend towards quality control.

2. Consumer Safety - While manufacturing the products, health and safety of consumers should be the prime factor. Unsafe products should not be marketed. Consumers should be warned of any unsafe good. Some rival (competitor) organizations may introduce imitation articles of inferior quality, in such circumstances the producer of genuine product must alert consumer.

3. Changing Fair Prices - The products and services should be available to consumers at fair prices. They should not be cheated by changing unreasonable prices. Such practice will spoil the image of organization in long run. Maximum Retail Price (M.R.P) Inclusive All Taxes should be printed on every packed product. Retailer should not charge any extra amount.

5. Research and Development - The organization should adopt new methods and techniques of production and distribution. They should conduct research and development to improve the quality of goods and to reduce cost of production. It will minimize final prices charged to customers.

6. Accurate Information - Accurate information of product should be provided to consumers through advertising, packing and labeling. Such information include contents of product, their uses, ways of maintaining products, side effects, date of manufacturing and expiry, MRP, etc. printed leaflet may be provided to take proper precautions

7. Customer Service Cell -An organization must attend all complaints of customers without any delay. Quick and effective service regarding grievance should be provided. Suggestions of customers should be welcomed and required modifications should be considered.

8. Advertising Ethics - Advertisement of products should convey facts of products, its uses merits, demerits etc. False, misleading and vulgar advertisement should be avoided. Only honest advertising can be appreciated by consumers in the long run.

9. Avoid Consumer Exploitation - Business should avoid unfair trade practices which lead to exploitation of consumers. They should not take undue advantage of certain situations and create artificial scarcity of goods.

Social Responsibility community

1. Providing Employment Opportunities - Business should provide good job opportunities to young and well educated people in society. Maximum efforts should be taken to generate employment. It can be done by expansion and diversification programs. So that eligible people from society will get job opportunities.

2. To Prevent Pollution - Working of business units results in air, water and noise pollution. The carbon particles, dust, harmful gases, chemical create air pollution. Harmful chemicals cause water contamination. Sound of machines from factories can disturb the peace of residents. All types of pollution should be controlled by adopting best possible measures.

3. Better and Maximum Use of Resources - All types of resources are ultimately owned by the society. Business should use scarce natural resources such as raw materials of iron, steel, fuels etc. in proper manner. It should be managed carefully.

4. Helps to weaker Sections of Society - Economically weak people need financial and medical help from business unit. Business organization should try to uplift such section of society. Certain jobs may be reserved for economically backward people.

5. Location of Industries - Industries should be preferably located in industrial zones. It will minimize the adverse effects on residential areas. They should avoid congestion in cities by spreading industries in different places or locations.

6. Providing Help at the time of Natural Calamities - Business units should provide financial assistance to public at the time of natural calamities like floods, storms, earthquakes etc. Business unit should take initiative in providing medical help, food, water and construction of houses for these people.

7. Raising Standard of Living of the society - Business units can contribute to increase the standard of living of society. It includes construction and maintenance of roads, creating public gardens, public library, running charitable hospitals etc. such activities can change the outlook of society.

8. Protect anti-Social activities - Business organization should not involve any anti-social activities like smuggling, association with underworld people, bribing government people, etc. they should not support and provide financial assistance to anti-social elements.

Social Responsibility towards Government

1. Timely Payment of Proper Taxes - The Government has levied various taxes on business units such as excise duty, sales tax, corporate tax, etc. business units should give proper information of product and should pay taxes accurately as per the provisions. The tax revenue helps the government to provide infrastructure and other welfare facilities.

2. Respecting rules and Regulations - Business unit should follow various laws and regulations created by government. While setting up the business, they must follow guidelines set by the

government. However, they can make suggestions to government to modify the rules if it is in interest of the society.

3. Earning Foreign Exchange - Especially large scale business should enter in export trade to earn foreign exchange. They should enable the government to import capital goods and technical know-how. All rules and regulations pertaining to imports and exports should be strictly followed.

4. Political Stability - For economic growth the national security, political stability is required. A stable government often brings more returns and peace in a democratic society. Business units should not support those groups or individuals who are interested in creating political disturbance.

5. Implementation of Socio-economic Program - The Government declares various policies for achieving economic, social and industrial progress of society. Business organization is expected to help the government in the implementation of various socio-economic programs.

Social Responsibilities of a Business Organization towards Society

- 1. Protection of Environment:** Pollution is a major problem of present times, which is due to commercial organizations. Air pollution and water pollution are due to the industries, chemical plants, cement plants, etc. The business organization should take all possible measures to minimize pollution.
- 2. Reasonable use of Resources:** The business organization should make proper use of available resources in the large interest of the society. The resources like fuel, water, land, etc. must be used economically.
- 3. Reservation for Weaker Section:** The commercial organization is expected to provide the jobs and employment opportunities for lifting up economically weaker section of the society.
- 4. No Participation in Anti-Social Activities:** The organization should not participate in such activities which will adversely affect the society in general. No financial help should be provided to such anti-social activities.
- 5. Development of Backward Regions:** The society requires that the business organization should be started in backward areas. This will create employment opportunities and increase purchasing power among the rural population of India.
- 6. Financial Assistance:** The society expects donations and financial assistance for various social causes, such as eradication of poverty, illiteracy, etc. They expect company to take part in anti-drug campaigns, anti-noise campaigns, and so on.

7. **Prevent Congestion in Cities:** The companies should also work to avoid congestion in cities spreading their industries in different places or locations.
8. **Employment Generation:** Business firms should make all possible efforts to generate employment. Such effort will help to solve problems caused due to unemployment in the society.

Business ethics

Business ethics refers to contemporary organizational standards, principles, sets of values and norms that govern the actions and behavior of an individual in the business organization. Business ethics are the moral principles that act as guidelines for the way a business conducts itself and its transactions. In many ways, the same guidelines that individuals use to conduct themselves in an acceptable way – in personal and professional settings – apply to businesses as well.

Ethics

Ethics is a branch of social science. It deals with moral principles and social values. It helps us to classifying, what is good and what is bad? It tells us to do good things and avoid doing bad things. so, ethics separate, good and bad, right and wrong, fair and unfair, moral and immoral and proper and improper human action. In short, ethics means a code of conduct. It is like the 10 commandments of holy Bible. It tells a person how to behave with another person

Definition of Business Ethics

According to Andrew Crane, “Business ethics is the study of business situations, activities, and decisions where issues of right and wrong are addressed.”

According to Raymond C. Baumhart, “The ethics of business is the ethics of responsibility. The business man must promise that he will not harm knowingly.”

According to Wikipedia, “Business ethics (also corporate ethics) is a form of applied ethics or professional ethics that examines ethical principles and moral or ethical problems that arise in a business environment. It applies to all aspects of business conduct and is relevant to the conduct of individuals and entire organizations.”

Nature of Business Ethics

Code of conduct: Business ethics is a code of conduct. It tells what to do and what not to do for the welfare of the society. All businessmen must follow this code of conduct.

Based on moral and social values: Business ethics is based on moral and social values. It contains moral and social principles (rules) for doing business. This includes self-control, consumer protection and welfare, service to society, fair treatment to social groups, not to exploit others, etc.

Gives protection to social groups : Business ethics give protection to different social groups such as consumers, employees, small businessmen, government, shareholders, creditors, etc.

Provides basic framework: Business ethics provide a basic framework for doing business. It gives the social cultural, economic, legal and other limits of business. Business must be conducted within these limits.

Voluntary: Business ethics must be voluntary. The businessmen must accept business ethics on their own. Business ethics must be like self-discipline. It must not be enforced by law.

Requires education and guidance: Businessmen must be given proper education and guidance before introducing business ethics. The businessmen must be motivated to use business ethics. They must be informed about the advantages of using business ethics. Trade Associations and Chambers of Commerce must also play an active role in this matter.

Importance of Business Ethics

Long-term growth: sustainability comes from an ethical long-term vision which takes into account all stakeholders. Smaller but sustainable profits long-term must be better than higher but riskier short-lived profits.

Cost and risk reduction: companies which recognize the importance of business ethics will need to spend less protecting themselves from internal and external behavioral risks, especially when supported by sound governance systems and independent research

Anti-capitalist sentiment: the financial crisis marked another blow for the credibility of capitalism, with resentment towards bank bailouts at the cost of fundamental rights such as education and healthcare.

Limited resources: the planet has finite resources but a growing population; without ethics, those resources are replete for purely individual gain at huge cost both to current and future generations.

Advantages of Business Ethics

Enhance Business Reputation: Business ethics helps in enhancing the reputation of the organization in the market. Practicing of ethics ensures the legality of business and provide better service to customers. It controls all unfair trade practices and operates all activities ethically. The business operates at a lower profit level and delivers quality goods. This develops a positive image of the company and attracts a large number of new customers.

Positive Work Environment: It helps in maintaining a positive work environment for business. Ethics clearly defines the code of conduct for business and directs the limits within which it should operate. Employees are trained to work efficiently in a team and develop better relationships with their co-workers. Superiors trust their subordinates and grant them proper autonomy for performing their roles effectively.

Improves Customer Happiness: Ethics leads to improve customer satisfaction with the business. Companies follow ethical principles operate at a reasonable profit and fulfill all needs of their customers at a lower cost. Customers when treated fairly get committed to the business for the long term. They get proper help support and all their complaints are redressed timely. Business via these good ethical principles are able to build a loyal customer base.

Retain Good Employees: Adopting of ethical principles enable business in retaining good employees for a longer period. Employees want to work with such an organization that treats them fairly and recognizes their talent. They need to be compensated for their work and wants appreciation based on their work quality. Companies dealing with their workers fairly and openly are able to easily retain them

Builds Investor Loyalty: All investor wants to be associated with the ethical business for earning better return. They look for reputation, ethics, and social responsibility of business before choosing the one to invest their funds. Business working on ethical values are able to attract large number of investors. Investors know that ethical values enable organization in enhancing their productivity, efficiency, and profits.

Avoid legal Problems: Controlling legal issues is another important advantage provided by business ethics. Implementation of ethical principles ensures that organizations comply with all labor laws and environmental regulations. Employees are provided safe working environment and good quality materials for carrying out the operations. Companies maintaining proper ethical standards avoids themselves from any fine and penalties charges by government agencies.

What migrant means?

Migration is a way to move from one place to another in order to live and work. Movement of people from their home to another city, state or country for a job, shelter or some other reasons is called migration. Migration from rural areas to urban areas has increased in past few years in India

- internal migration: moving within a state, country, or continent
- external migration: moving to a different state, country, or continent
- emigration: leaving one country to move to another
- immigration: moving into a new country
- return migration: moving back to where you came from
- seasonal migration: moving with each season or in response to labor or climate conditions

Why do people move? What forces do you think drive human migration? people move for many reasons and that those reasons are called push factors and pull factors.

push factors include leaving a place because of a problem, such as a food shortage, war, or flood.

pull factors include moving to a place because of something good, such as a nicer climate, more job opportunities, or a better food supply.

Migration is a way to move from one place to another in order to live and work. Movement of people from their home to another city, state or country for a job, shelter or some other reasons is called migration. Migration from rural areas to urban areas has increased in past few years in India

Impacts of Migration

Positive Impact

- Unemployment is reduced and people get better job opportunities.
- Migration helps in improving the quality of life of people.
- It helps to improve social life of people as they learn about new culture, customs, and languages which helps to improve brotherhood among people.
- Migration of skilled workers leads to a greater economic growth of the region.
- Children get better opportunities for higher education.
- The population density is reduced and the birth rate decreases

Negative Impact

- The loss of a person from rural areas, impact on the level of output and development of rural areas.

- The influx of workers in urban areas increases competition for the job, houses, school facilities etc.
- Having large population puts too much pressure on natural resources, amenities and services.
- It is difficult for a villager to survive in urban areas because in urban areas there is no natural environment and pure air. They have to pay for each and everything.
- Migration changes the population of a place; therefore, the distribution of the population is uneven in India.
- Many migrants are completely illiterate and uneducated; therefore, they are not only unfit for most jobs, but also lack basic knowledge and life skills.

Types of Migration

1. Internal migration or domestic migration is human migration within a country. Internal migration tends to be travel for education and for economic improvement or because of a natural disaster or civil disturbance
2. External migration: moving to a different state, country, or continent. Emigration: leaving one country to move to another. Immigration: moving into a new country.
3. Emigration is the relocation or process of people leaving one country to reside in another. People emigrate for many reasons include increasing one's chance of employment or improving quality of life.
4. Immigration, process through which individuals become permanent residents or citizens of another country. Historically, the process of immigration has been of great social, economic, and cultural benefit to states

Urbanization

Urbanization refers to the increasing number of people that live in urban areas. It predominantly results in the physical growth of urban areas, be it horizontal or vertical. Urbanization is the process through which cities grow, and higher and higher percentages of the population come to live in the city. Urbanization is a process whereby populations move from rural to urban areas, enabling cities and towns to grow. It can also be termed as a progressive increase in the number of people living in towns and cities. It is highly influenced by the notion that cities and towns have achieved better economic, political, and social mileages compared to rural areas

Various Causes of Urbanization

1. Industrialization

Industrialization is a trend representing a shift from the old agricultural economics to a novel non-agricultural economy, which creates a modernized society. Through the industrial revolution, more people have been attracted to move from rural to urban areas on account of improved employment opportunities. The industrialization has increased employment opportunities by giving people the chance to work in modern sectors in job categories that aids to stir economic developments

2. Commercialization

Commerce and trade play a major role in urbanization. The distribution of goods and services and commercial transactions in the modern era has developed modern marketing institutions and exchange methods that have tremendously given rise to the growth of towns and cities. Commercialization and trade come with the general perception that the towns and cities offer better commercial opportunities and returns compared to the rural areas.

3. Social Benefits and Services

There are numerous social benefits attributed to life in cities and towns. Examples include better educational facilities, better living standards, better sanitation and housing, better health care, better recreation facilities, and better social life in general.

4. Employment Opportunities

In cities and towns, there are ample job opportunities that continually draw people from rural areas to seek a better livelihood. Therefore, the majority of people frequently migrate into urban areas to access well-paying jobs as urban areas have countless employment opportunities in all developmental sectors such as public health, education, transport, sports and recreation, industries, and business enterprises. Services and industries generate and increase higher value-added jobs, and this leads to more employment opportunities.

5. Modernization and Changes in the Mode of Living

Modernization plays a very important role in the process of urbanization. As urban areas become more technology savvy together with highly sophisticated communication, infrastructure, medical facilities, dressing code, enlightenment, liberalization, and other social amenities availability, people believe they can lead a happy life in cities.

In urban areas, people also embrace changes in the modes of living namely residential habits, attitudes, dressing, food, and beliefs. As a result, people migrate to cities and the cities grow by absorbing the growing number of people day after day.

6. Rural-urban Transformation

As localities become more fruitful and prosperous due to the discovery of minerals, resource exploitation, or agricultural activities, cities start emerging as the rural areas transform into urbanism. The increase in productivity leads to economic growth and higher value-added employment opportunities. This brings about the need to develop better infrastructure, better education institutions, better health facilities, better transportation networks, the establishment of banking institutions, better governance, and better housing.

Population

A population is **the number of living people that live together in the same place**. A city's population is the number of people living in that city. These people are called inhabitants or residents. A population is defined as a group of individuals of the same species living and interbreeding within a given area. Members of a population often rely on the same resources, are subject to similar environmental constraints, and depend on the availability of other members to persist over time. Scientists study a population by examining how individuals in that population interact with each other and how the population as a whole interacts with its environment

What is demographic change in population?

Demographics (or demography) is the study of population statistics, their variation and its causes. ... These statistics include birth rates, death rates (and hence life expectancy), migration rates and sex ratios.

Standard of Living

Standard of living refers to the level of wealth, comfort, material goods, and necessities available to a certain socioeconomic class or geographic area. Quality of life, on the other hand, is a subjective term that can measure happiness. The definition of a standard of living is how well or how poorly a person or group of people live in terms of having their needs and wants met. An example of a high standard of living is a wealthy person who can buy anything he wants. A measurement of how well off a group of people or an individual perceives themselves to be.

Standard of living takes into account the quality of housing, medical care, education, transportation, and entertainment opportunities.

Questions

1. Define the term “Social Responsibilities of Business”
2. State the meaning of Business Ethics.
3. Discover the nature of social Responsibility
4. Explain the responsibilities of business to government.
5. Explain the need for growing concern for social responsibility of business
6. List out the sources of ethical standards in business.
7. Define the term “Code of ethics”
8. Explain why ethics is necessary in business.
9. State the meaning of demographic environment.
10. State the impact of growing urbanization.

PART – B

1. Explain the social responsibilities of business towards employees.
2. Analyze the social responsibilities of business towards consumers.
3. Explain the significance of Urbanization to business.
4. Is social responsibility important for business? Discuss.
5. Discuss the sources of ethical standards in business.
6. What is the impact of corruption on business on global business? Point out the methods to reduce corruption.
7. Appraise the role of demographic factors and their significance in business.
8. Explain the social responsibilities of business towards society.

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SCHOOL OF MANAGEMENT STUDIES

UNIT – IV – BUSINESS ENVIRONMENT – SBAA3002

UNIT 4 BUSINESS AND GOVERNMENT

State Regulations of Business – Industrial Licensing Policy – Technology – Indigenous Technology –Import of Technology – Import of Technological changes of Business.

What is state regulation?

State regulation means the whole or part of a state agency statement of general or particular applicability and future effect designed to implement, interpret, or prescribe law or policy or describing the organization, procedure, or practice requirements of a state agency and which is duly promulgated in accordance.

Government Regulations on Business

1. Tax Code

Income tax: Most businesses file an annual income tax return. Businesses must pay income tax as they earn and receive income, and then file a tax return at the end of the year.

Estimated tax: Estimated tax payments offer an alternative to paying income tax throughout the year as your company earns money. Sole proprietors, partners, and S-corporation shareholders must usually make estimated tax payments if they expect to owe \$1,000 or more once they file their return. Note that corporations are usually required to make estimated tax payments if expect to make more than \$500 or more in income

Employment tax: Companies that have employees are expected to pay taxes related to having staff on their payroll. These include Social Security and Medicare taxes, federal income tax withholding, and federal unemployment tax.

Excise taxes: Excise taxes are paid when your business makes purchases on specific goods, and are often included in the price of the product. One common example of excise tax is the purchase of gasoline, where applicable taxes are baked into the price per gallon rather than as a tally at the end of the transaction. You may be under certain excise tax law if you manufacture or sell certain goods, use various kinds of equipment, receive payment for certain kinds of services, and much more

2. Employment and Labor Law

Wages and hours: According to the Department of Labor, the Fair Labor Standards Act (FLSA) prescribes standards for wages and overtime pay. This act affects most private and public employment, and requires employers to pay covered employees at least the federal minimum wage and overtime pay of one-and-one-half-times the regular rate of pay (unless they are exempt employees).

Workplace safety and health: The Occupational Safety and Health Administration (OSHA) require that employers, under the OSH Act, “provide their employees with work and a workplace free from recognized, serious hazards.” The OSH Act is enforced through workplace inspections and investigations.

Equal opportunity: Most employers with at least 15 employees must comply with equal opportunity laws enforced by the Equal Employment Opportunity Commission (EEOC). The EEOC mandates that certain hiring practices, such as gender, race, religion, age, disability, and other elements are not allowed to influence hiring practices

Unions: If your business has union employees, you may need to file certain reports and handle relations with union members in specific ways.

Family and medical leave: The Family and Medical Leave Act (FMLA) requires employers with 50 or more employees to provide 12 weeks of unpaid, job-protected leave to eligible employees for the birth or adoption of a child, or for the serious illness of the employee or a spouse, child, or parent.

3. Antitrust Laws

Any time a company conspires with its competitors, third-party vendors, or other relevant parties, it may run afoul of antitrust laws.

Price discrimination: Securing favorable product prices from buyers when other companies can't.

Conspiring to boycott: Conversations with other businesses regarding the potential boycott of another competitor or supplier.

Conspiring to allocate markets or customers: Agreements between competitors to divide up customers, territories, or markets are illegal. This provision applies even when the competitors do not dominate the particular market or industry.

Monopolization: Preserving a monopoly position through the acquisition of competitors, the exclusion of competitors to the given market, or the control of market prices.

4. Advertising

Comply with labeling laws for consumer products, meaning that you list out ingredients and chemicals within your products. Know the specific rules for advertising and selling products over the internet. Understand the rules for advertising specific products—whether it be alcoholic beverages or 900 numbers. This’ll be specific to your industry, and where working with a lawyer who knows the rules around your business will really benefit you. Understand the rules for marketing and advertising over the phone or via email. Learn the rules for making environmentally friendly or “green” claims in advertising.

5. Email Marketing

There are several things that this Act regulates, but some of the main components are as follows:

- Don’t use false or misleading headers
- Don’t use deceptive headlines
- Indicate that the message is an advertisement
- Include your business’s name and address
- Show the customer how to opt out of emails, and honor the opt-out requests promptly

Each separate email violation is subject to hefty fines, so make sure you know the ins and outs of this law before you set up your email marketing strategy.

6. Environmental Regulations

You might need to acquaint yourself with various environmental protection laws, depending on your industry or business. This is especially pertinent if you’re marketing, say, cleaning products, food, or anything with claims to be natural, organic, or eco-friendly. You’ll find dozens of environmental rules and regulations that might affect your small business, both at the federal and state level.

7. Privacy

Businesses with staff and employees wind up amassing a ton of sensitive personal information about their employees. As a result, there are a variety of rules and regulations about how employers must save and secure this data.

If your business discloses an employee's private information, including Social Security number, address, name, health conditions, credit card, bank numbers, or personal history, not only do various laws exist to keep businesses from spreading this information, but employees can sue for disclosing sensitive information. Although employees have clear and specific rights to privacy in the workplace, the rights are balanced against the employers' privileges to monitor their business operations. It's important to understand what rights you have as a business to monitor employees, and to be clear and transparent about that monitoring to your employees.

8. Licensing and Permits

We've focused on federal laws and government regulations on business so far, but that doesn't mean that there aren't ample state regulations to consider for your small business. Many state and local governments have their own requirements for businesses, and they're just as important to understand as their federal counterparts.

9. Insurance

As soon as you hire your first employee, you're legally obligated to purchase workers compensation insurance. All states, with the exception of Texas, require businesses with employees to purchase workers comp insurance.

Workers comp insurance protects both you and your employee in the case of an accident on the job. The employee will receive medical care and compensation for some of the income they lose while injured, while the insurance company will defray the costs of any lawsuit filed by the injured worker.

Other types of insurance generally aren't required, but it depends on the circumstances. For example, if your business contracts with the government or gets a government-guaranteed loan, then you'll need to show proof of certain types of business insurance.

10. Reporting Pay Data

If you employ more than 100 people, you're required to report how much you pay each of them, broken down by race/ethnicity, job category, and gender, to the Equal Employment Opportunity Commission each year.

11. Collecting Sales Tax

Most businesses that sell physical goods must collect sales tax from customers and submit the tax to their state's revenue department. A few states do not collect sales tax. In general, the law specifies that a business must collect sales tax in any state with which it has a physical connection (known, in legal terms, as a "nexus"). That nexus might mean a physical retail shop, or hiring employees in the state. Even online sellers might have to collect sales tax in any state that they sell to.

MEANING OF INDUSTRIAL LICENSING

An industrial license is a written permission from the government to an industrial unit to manufacture goods specified in the permission letter. A license to run an industry also specifies such particulars as the location of the goods to be produced, the capacity of the unit, period within which the industrial capacity is to be established, etc., The purpose of industrial licensing is to make an optimum use of the scarce resources, redress the various imbalances and reduce inequalities to the possible extent. It helps in the implementation of industrial policy by giving it practical shape and also helps to achieve the objective of industrial development.

According to Industrial (Development and Regulation) Act, 1951, "Licensing is a written permission granted by the Central Government to an industrial organization so that it can produce or construct commodities listed in the first scheduled."

The major objectives of industrial licensing in India are as follows:

- (1). To prevent monopoly power and economic concentration in industries.
- (2) Balanced economic development of different regions for reducing disparities in the levels of industrial development.
- (3) To direct investment in industries according to plan priorities.

- (4) To make an optimum use of the limited capital resources and the available technical skills so that they are not altered away in unnecessary or less important channels of investment.
- (5) To encourage new entrepreneurs to start industrial units.
- (6) To encourage export oriented industries in order to earn foreign exchange.
- (7) To build up a self-reliant economy by promoting import substitution industries.
- (8) To promote and encourage the decentralized industrial sector or develop small and village industries.
- (9) To economise the use of critical inputs like scarce raw material, fertilizers etc.
- (10) To promote industries in areas which preserve ecological balance?
- (11) To promote such industries as result in energy conserving and high fuel efficiency.

The origin of industrial licensing of India can be traced to the Industries (Development and Regulation) Act of 1951. Till the year 1960, industrial licensing was needed for all units having investment of more than Rs. 10 lakh. Since then, the licensing exemption limit has been raised from time to time. By now a comprehensive system of licensing has been evolved aiming only exercising control to one of providing help and guidance by making essential procedures fully transparent and by eliminating delays. The main features of the new licensing policy of India are as follows:

Industrial Licensing Policy

(1) Short list of Industries for Compulsory Licensing: The industrial licensing has been abolished for all projects except for a list of 18 industries related to security and strategies concerns, hazardous chemicals and environmental factors in the industrial policy, 1991. Later on it was reduced to 14 industries and in 1998-99, the number of compulsory licensing list was reduced to 5 industries only. At present, other than 5 industries, there is no need of licensing for private sector industries.

(2) No License for Broad Banding: Under the new policy, there is no need for the licenses for the purpose of expansion of industrial units. The broad banding scheme may be in operation for all the existing units under which no license is needed.

(3) Delimiting the Public Sector: In a new licensing policy only 4 industries given in schedule I are reserved for public sector, but the government reserves its right to enter into other industries in public interest. The public sector units are fully exempted from obtaining the industrial licenses.

(4) Exemption to Monopoly and Large Business Houses: Under the new licensing policy, monopoly and large business houses are treated with the other types of business undertakings. A measure of amendment in the MRTP Act,

(5) Exemption to Small-scale Industries: Small scale industries are fully exempted for the bounding of industrial licensing.

(6) Liberalized Inflow of Foreign Technology: Automatic permission for foreign technology agreement in 34 high priority industries would be granted subject to a limit of Rs. 1 crore or to a limit either 5 percent of domestic sales or 8 percent of export sales.

(7) Exemption on Imports of Capital Goods: Import of all goods and raw material except consumer goods have become free from the import restrictions.

(8) Exemption for Substantial Expansion: Under the new policy, license is not needed for substantial expansion of production capacity subject to:

(i) Where such goods are not belonging to the category reserved for public sector,

(ii) Where such industrial undertaking has not been set up within 25 kms. Of the territorial limit of a city with a population of 10 lakh.

(9) Submission of Memorandum: Industries, to which license system does not applicable, are not required to get them registered with the Government. This exemption will also apply to all subsequent expansion of existing units. Entrepreneurs will hence forth only be required to file an information memorandum on new projects and subsequent expansions.

(10) Abolition of Registration Scheme: In the new licensing policy, all types of registrations has abolished and industries have made free from these provisions.

Technology

Technology refers to methods, systems, and devices which are the result of scientific knowledge being used for practical purposes. Technology is changing fast. They should be allowed to wait for cheaper technologies to be developed

Import of technology also known as technology transfer which 'IMPORT OF TECHNOLOGY' involves sharing of skills, knowledge and facilities among government and business so that these technological developments are accessible to a wide range of users for commercial and welfare purposes.

Import of Technology:

Technology can be imported from the developed countries to the developing ones through joint ventures, licensing, etc. but there are number of factors like suppliers ability and desire, recipients capacity and the communication process between the two which it governs its efficiency, Import of technology involves certain political restrictions with it.

Sometimes the donor country might pass on the obsolete technology to the recipient country and recipient country might have to permanently depend on the donor country for the latest technology. Also sometimes spare parts imported from other country might not fit into the models in our country. These are some problems that comes along with the import of the technology. Laboratory to Field India has been able to develop a number of research centers and laboratories in different areas.

The efforts are carried by number of researchers but if they are not up to the mark of the policy-making level of different ministries, then the policy is imported from the developed country.

Questions

1. Identify the functions of state.
2. List the reasons for state intervention in the economy
3. Classify any five laws relating to business in India
4. Discuss the economic roles of the state.
5. State the meaning of the term “Technology”.
6. Differentiate between science and technology
7. State the indicators of technological process
8. Explain the importance of technology promoting trade and commerce.
9. Define the term “Technological Environment’
10. Explain how does technology increases productivity.

PART – B

1. Explain the need for state intervention in economic development
2. Criticize in detail the important role played by the government in development of Indian economy.
3. Estimate the impact of technological environment on business
4. Summarize the shortcomings in India’s technological environment.
5. Criticize how changing technology increased and improved business activities.
6. Explain the technological factors that affect business environment.

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SCHOOL OF MANAGEMENT STUDIES

UNIT – V – BUSINESS ENVIRONMENT – SBAA3002

UNIT 5 ECONOMIC SYSTEM

Socialism – Capitalism – Mixed Economy – Their impact of Business – Public sector – Private Sector – Joint Sector – Objectives – Growth Achievements and failures of public Sector in India.

What is Socialism?

Socialism is a system in which every person in the community has an equal share of the various elements of production, distribution, and exchange of resources. Such a form of ownership is granted through a democratic system of governance. Socialism has also been demonstrated through a cooperative system in which each member of the society owns a share of communal resources.

The rule of engagement in a socialistic system is that each person receives and contributes according to his ability. For this reason, individuals in a socialistic society tend to work very hard. Members of the community receive a share of the national pie once a percentage is taken off for the purpose of communal development. The areas into which resources are channeled include defense, education, and transportation.

Types of Socialism

Many forms of socialism exist around the world, and they all differ when it comes to ideas on how best to incorporate capitalism into a socialistic structure. In addition, the different forms of socialism emphasize the diverse aspects of social democracy. Here are some of the types of socialistic systems:

Democratic socialism

In democratic socialism, factors of production are under the management of an elected administration. Vital goods and services such as energy, housing, and transit are distributed through centralized planning, while a free market system is used to distribute consumer products.

Revolutionary socialism

The running philosophy of revolutionary socialism is that a socialistic system can't emerge while capitalism is still in play. Revolutionaries believe that the road to a purely socialistic system

requires a lot of struggle. In such a system, the factors of production are owned and run by workers through a well-developed and centralized structure.

Libertarian socialism

Libertarian socialism works on the assumption that people are always rational, self-determining, and autonomous. If capitalism is taken away, people naturally turn to a socialistic system because it is able to meet their needs.

Market socialism

Under market socialism, the production process is under the control of ordinary workers. The workers decide how resources should be distributed. The workers sell off what is in excess or give it out to members of the society, who then distribute resources based on a free market system.

Green socialism

Green socialism is protective of natural resources. Large corporations in a green socialistic society are owned and run by the public. In addition, green socialism promotes the development and use of public transit, as well as the processing and sale of locally grown food. The production process is focused on ensuring that every member of the community has enough access to basic goods. Moreover, the public is guaranteed a sustainable wage.

Advantages of Socialism

Absence of exploitation

A socialistic system ensures that no worker is exploited. How? Well, each of the workers in the community has a say on how the resources are managed, and each person receives and contributes based on an individual's potential.

According to the socialistic system, each person is guaranteed access to basic goods, even those who are not able to contribute. As a result, the system helps to minimize poverty levels in the society. In addition, each person has the same right to access health care and other important social aspects, such as education.

Rejection of discrimination

The system disapproves discrimination, and each person does what he is good at or what he enjoys best. If there are jobs that should be done and there is no one to perform them, a higher remuneration is provided. Natural resources are protected for posterity.

Capitalism

Capitalism is defined as an economic system in which a country's trade, industry, and profits are controlled by private companies, instead of by the people whose time and labor powers those companies. The United States and many other nations around the world are capitalist countries, but capitalism is not the only economic system available.

How does capitalism impact people?

The kind of impact that capitalism has on your life depends on whether you're a worker or a boss. For someone who owns a company and employs other workers, capitalism may make sense: The more profits your company brings in, the more resources you have to share with your workers, which theoretically improves everyone's standard of living. It's all based on the principle of supply and demand, and in capitalism, consumption is king. The problem is that many capitalist bosses aren't great at sharing the wealth, which is why one of the major critiques of capitalism is that it is a huge driver of inequality, both social and economic.

Capitalism takes the position that "greed is good," which its supporters say is a positive thing — greed drives profits and profits drive innovation and product development, which means there are more choices available for those who can afford them. Its opponents say that capitalism is, by nature, exploitative, and leads to a brutally divided society that tramples the working classes in favor of fattening the rich's wallets.

Mixed Economy

A mixed economy is an economy organized with some free market elements and some socialistic elements, which lies on a continuum somewhere between pure capitalism and pure socialism. ... Mixed economies socialize select industries that are deemed essential or that produce public goods.

Characteristics of Mixed Economy

1. Co-existence of the Private and Public Sectors

Co-existence of the private and public sectors is the outstanding feature of mixed economy. In mixed economy, both public sector as well as private sector industries will be functioning. Certain industries will be in the public sector and certain industries in the private sector. Private individuals and firms own private sector industries. Profit will be the primary motive of private sector industries. In public sector, industries are owned and managed by the Government. Public industries will also have profit motive but that too for the promotion of social welfare.

2. Existence of Joint Sector

Joint sector is one where both Government and private individuals establish an organization jointly by contributing the necessary capital.

3. Regulation of Private Sector

Under mixed economy, Government exercises strict control and regulation over private sector industries.

4. Planned Economy

The entire economic structure is subject to the planning of the Government. Mixed economy is a planned economy. The planning commission decides the objectives, targets and allocation of resources etc.

5. Private Property

Under mixed economy, private firms and individuals have right to own and use property.

6. Provision of Social Security

Under mixed economy, Government takes steps to provide social security.

7. Motive of Business Concerns

The motive of the business concerns is profit but coupled with the objective of social welfare.

8. Reduction of Inequalities of Income and Wealth

The Government takes steps to reduce inequalities of income and wealth.

9. Complete Economic Freedom

There is complete economic freedom in mixed economy. Hence, the consumer is free to buy any commodity they like.

Advantages of Mixed Economy

1. Efficiency

There will be competition between public and private industries, which will result in greater efficiency and production in a mixed economy.

2. Reduced inequality

The profit of public sector industries goes to the Government and as a result inequalities of income will be reduced in mixed economy.

3. Systematic plan

In a mixed economy, economic activities are carried out as per plan. The entire economic system is subject to systematic planning of the Government.

4. Economic Stability

The economic activities take place in a planned manner. So there will be economic stability in mixed economy.

5. Consumer sovereignty

Goods are produced as per the wishes of the consumers, which results in consumer's sovereignty in a mixed economy.

6. Freedom

In mixed economy, freedom of enterprise and profit motive is the important features. Further there is competition between public and private sectors. These factors increase efficiency, initiative, innovation and productivity.

7. Promotion of social welfare

Mixed economic system gives importance to the promotion of social welfare. Under this system, both private and public sectors work for the welfare of people.

8. Rights of Individual

Under mixed economy, individual rights are protected. People have freedom to buy any commodity.

Public sector

In general terms, the public sector consists of governments and all publicly controlled or publicly funded agencies, enterprises, and other entities that deliver public programs, goods, or services. Public sector enterprises are companies owned, and entirely or partially controlled by the government of a country.

The Public Sector is usually comprised of organizations that are owned and operated by the government and exist to provide services for its citizens. Similar to the voluntary sector, organizations in the public sector do not seek to generate a profit.

Funding for public services are usually raised through a variety of methods, including taxes, fees, and through financial transfers from other levels of government (e.g. from a federal to a provincial or state government).

Private sector

The private sector is the part of the economy that is run by individuals and companies for profit and is not state controlled. Therefore, it encompasses all for-profit businesses that are not owned or operated by the government.

The private sector constitutes the segment of the economy owned, managed and controlled by individuals and organizations seeking to generate profit. Companies in the private sector are usually free from state ownership or control. However, sometimes the private sector can collaborate with the government in a public-private partnership to jointly deliver a service or business venture to a community. A private sector company can come to existence through the privatization of a public organization or through a new enterprise by private individuals. Businesses in the private sector stabilize prices by creating fair market conditions.

What is the role of the private sector?

The role of the private sector is integral to the development of an economy. Here are some specific roles of the private sector:

Significant stakeholders of the economy: The private sector is an important player in the economy due to the input it makes to the national income. Particularly, it delivers vital goods and services, contributes to tax revenues and ensures the efficient flow of capital.

Generate employment: The private sector plays the pivotal role of generating employment opportunities within its community. A significant number of businesses are under the control of the private sector, which suggests that these firms provide more jobs than the public sector.

Assist in development: The private sector plays a dominant role in different types of developments. Specifically, it enhances the process of industrialization and community improvement. By introducing new commodities, equipment, machinery and technology, companies in the private sector produce innovative ideas that modify methods of production and lead to better economic development. Alternatively, the private sector contributes to community development through promoting community businesses, local exchange systems, cooperatives and informal credit. It also attracts potential investors who promote and expand existing companies.

Provision of goods and services: The private sector is the main provider of goods and services. It promotes human capital development, which gives it the ability to produce more goods and services and therefore satisfy market demand.

Promote diversification of business: The private sector is full of firms conducting varied businesses. Essentially, this sector provides new companies with the opportunity to develop no matter the type of business. With this freedom, private companies are able to diversify their operations.

Joint sector

The term 'joint sector' is applied to an undertaking only when both its ownership and control are effectively shared between public sector agencies and a private group. The basic idea underlying the concept is combination of joint ownership, joint control and professional management.

Features of Joint Sector:

Joint sector enterprises may be brought into being by any of the following ways:

(i) The Central Govt. and private entrepreneurs may jointly set up new enterprises. Sometimes the Central Govt. and one or more State Governments together may set up enterprises in partnership with the private sector.

(ii) The State Govt. or their industrial development corporations may set up new companies jointly with private partners, involving equity participation by both the partners.

(iii) Public financial institutions may, through equity participation or conversion of loans or debentures into equity, transform enterprises promoted by private entrepreneurs into joint sector companies.

(iv) The existing private enterprises may be transformed into joint sector enterprises by the govt. or govt. companies acquiring a part of the equity or converting debt into equity or by contributing to an increase in the share capital.

(v) The existing public sector companies may be transformed into joint sector enterprises through the sale of some equity shares to private entrepreneurs or the general public.

Poor Performance of Public Sector Enterprises

1. Low Capacity Utilization:

Most public sector enterprises set up in India during the plan period could not utilize their entire capacity which was created at high cost. In 1999-00, nearly 20% of such enterprises succeeded in utilizing 55 to 75% of their capacity and another 25% operated below 50% of their capacity. There are various reasons for such low capacity utilization such as lack of market survey regarding demand for products, transport bottleneck (such as non-availability of wagons), go-slow practices of workers, power shortage and so on.

2. Faulty Manpower Planning:

Most public sector enterprises have not made any manpower planning. Consequently, manpower is in excess of actual requirements in a number of cases. Moreover, the arrangement for training and education to staff has led to movement of key personnel from the public to the private sector.

3. Labor Problem:

The public sector enterprises have also been hit by labor problems or deteriorating industrial relations. One of the causes of poor performance of such enterprises has been indiscipline among workers. We may also observe deteriorating labor-management relations in most large government enterprises where supervision is a very difficult task.

4. Cost Overruns:

Various surveys made on the working of public sector enterprises in India have highlighted the point that most of the projects took longer time to complete than was initially envisaged. Such delays raised the cost of such projects, putting extra burden on the country's scarce resources.

5. Political Interference:

In most cases, political factors, rather than commercial considerations, influence decisions about location of projects. Plants are located in some States without making any feasibility study about costs just to satisfy political leaders.

6. Wrong Pricing Policy:

The pricing policies of most public sector enterprises are not guided by the principle of profit maximization, but are controlled and regulated by the Government. Since most public sector enterprises supply inputs like coal, power, steel, etc. to other sectors, prices are kept low even in the face of rising costs. Naturally, commercial profitability is adversely affected. Profitability is affected by another factor. Most public sector enterprises do not follow rational pricing policies. They are not guided by any clear-cut price policy. Prices are, in most cases, fixed by departmental directives and ad hoc piecemeal orders.

7. Inefficient Management:

Most PSUs do not recruit efficient managers. Managers are recruited on the basis of certain special criteria. Consequently, the managers of such enterprises have failed to define responsibilities and duties of their subordinates. One of the causes of poor performance of public sector enterprises in India had been lack of managerial efficiency and effectiveness. Most managers cannot take operational decisions quickly. Mostly bureaucrats are recruited as chairpersons, managing directors and managers of PSUs. Most of them are not competent enough to run industrial enterprises. This practice has adversely affected the operational efficiency of such enterprises.

Questions

1. State the meaning of “Socialism”.
2. Define the term “Capitalism”.
3. State the meaning of “Mixed Economy”.
4. List the characteristics of an economic system.
5. Explain the features of Socialism.
6. Predict the basic units of an economic system.
7. Identify the benefits of mixed economy.
8. State any three objectives of public sector.
9. Explain the main objectives of privatization.
10. Classify the different ways in which public enterprise may be privatized.

PART – B

1. Summarize the basic units which constitute an economic system.
2. Explain the characteristics of capitalism and its merits.
3. Describe the features, merits and demerits of socialism
4. Appraise the features, merits and demerits of mixed economy.
5. Compare and contrast the various types of economic system.
6. Estimate the objectives of public sector in India
7. Summarize the role of public sector in India’s economy.
8. Evaluate the reasons for the poor performance of public sector in India.

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