

BUSINESS ENVIRONMENT

Content as per CBSE Syllabus

- Business Environment- **Meaning, Features & Importance,**
- Dimensions of Business Environment- **Economical, Social, Technological, Political & Legal,**
- Demonetization- **Concept & Features.**



Meaning

It refers to **forces , factors , individuals and institutions** which are **outside the control of business enterprise** but these may affect its performance.

Example:- Government, Consumer groups, Competitions, Court, Media, Political uncertainty, Fashion and Taste of consumers, etc.



FEATURES OF BUSINESS ENVIRONMENT

All the external forces

- Sum total of all things **External** to Business,
- **Aggregative** in nature.

Specific and General Forces

- Specific affect **Directly** Individual enterprise,
- General affects **Indirectly** all Business.

Inter-relatedness

- All components are **Interdependent** or **Closely Inter-Related**,

Uncertainty

- Large Uncertainty- **Difficult to predict future**,
- Changes taking place too **Frequently**.

Relativity

- It differs from **Country to Country**,
- Same conditions has **different impact** on different Business.

Complexity

- Difficult to **Comprehend**,
- Easy to understand in **Parts**, but **Difficult to group in totality**.

Dynamic

- **Technological, Consumer Preference**, entry of new competition .

7 FEATURES OF BUSINESS ENVIRONMENT



IMPORTANCE OF BUSINESS ENVIRONMENT

1. Enables the firm to identify opportunities and getting first mover advantage :

- Opportunities- Positive External trends which improve Performance,
- Maximum Benefits or Profit by grabbing the opportunity at the Earliest,

2. Helps the firm to identify the threats and early warning signal :

- Means External Trends which will Hinder a Firm's Performance,
- Helps managers to Identify Various Threats on Time.

3. Helpful in tapping and assembling resources :

- Assembles Various Resources Called Input,
- Collecting right type of Resources as per Present Requirement.



4. Helps to adjust and adapt with the rapid changes :

- Bringing Changes as per Change in environment,
- Increasingly Dynamic,
- More Demanding Customers.

5. Helps in assisting in planning and policy making :

- Source- Opportunities & Threats,
- Making plans & Policies keeping in mind the Environmental Factors,

6. improvement in performance :

- With timely changes & Innovation Performance Improves,
- With Continuous Scan of Environment Companies can Easily Improve their Performance.



ECONOMICAL ENVIRONMENT



- Taxes,
- Value of rupee,
- Interest rate,
- Inflation rate, etc.

TECHNOLOGICAL ENVIRONMENT

- Method of production,
- New machinery, new equipment,
- New method of working for improvement,
- Scientific improvements and innovations, etc.

Dimensions of Business environment

SOCIAL ENVIRONMENT



- Taste, Fashion,
- Social trend,
- Increase in number of working women,
- Education, etc.

LEGAL ENVIRONMENT



- Court judgement,
- Any act, Statue, Legislature,
- Making any order compulsory,
- Decision taken by govt. at every level in center, state or local.

POLITICAL ENVIRONMENT



- Attitude of elected government representative,
- Policies changes implemented by different govt. ,
- Prevailing political system,
- Relationship between foreign countries, etc.

COMPONENTS OF ECONOMIC ENVIRONMENT

- Existing structure of the economy in terms of relative role of private and public sectors,
- The rates of growth of GNP and per capita income at current and,
- constant prices Rates of saving and investment,
- Volume of imports and exports of different items,
- Balance of payments and changes in foreign exchange reserves,
- Agricultural and industrial production trends
- Expansion of transportation and communication facilities,
- Money supply in the economy,
- Public debt (internal and external),
- Planned outlay in private and public sectors.

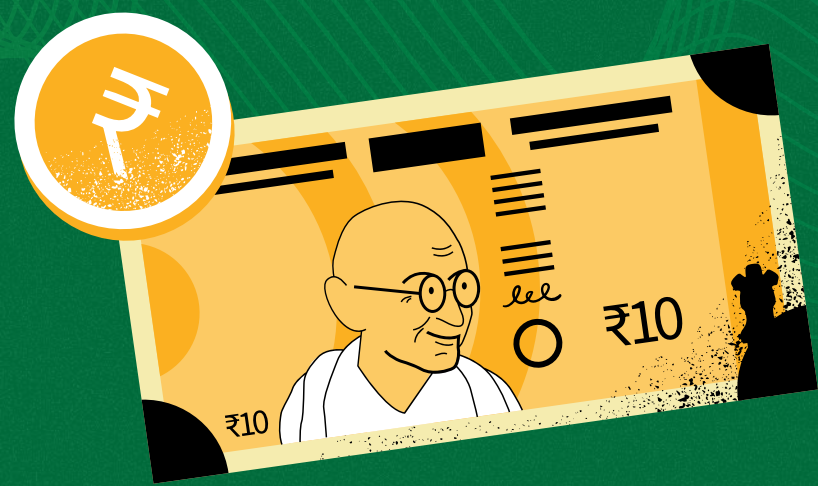




DEMONETISATION

- **November 8, 2016** was the day when **500 & 1000 Denomination notes** were **withdraw** from **Circulation**,
- **Withdrawal of 86% Currency** from **Circulation**,
- Was **Restriction on Cash Withdrawal**,
- Its main aim was to **Curb Corruption**.





Features of Demonetisation



Demonetisation as a Tax administration measures:

- Due to this, People had to declare their **Cash holding** to get it **Exchanged from bank**.
- Those having **Black money** had to pay **Taxes at Penalty**.

No tolerance of Tax Evasion:

- It also Indicated that Govt. will **no longer accept tax evasion**.

Tax administering & Channelising saving into Formal Financial System:

- Led to **Tax Administration**, Channelising savings into the **formal financial system**.

Creating less cash & Digital cash like Economy:

- Create **Cash less Economy**,
- **Channelising more saving through the formal Financial system**,
- **Improving Tax Compliance**.