

# Business environment

**Business Environment-** The term 'business environment' means the sum total of all individuals, institutions and other forces that are outside the control of a business enterprise but that may affect its performance.

## **Features:**

1. **Totality of External Forces:** The things that are out of the control of Business to an enterprise. Sum total of all these things makes business environment of an Enterprise.
2. **Specific and General Forces:** specific forces are those affects the individual firm directly, whereas general forces are those who affects all the individual firms of an industry.
3. **Inter-relatedness:** all the elements of the environment are inter-related, change in one lead to change in other.
4. **Dynamic Nature:** Business environment always keeps changing, and facilitates advancements.
5. **Uncertainty:** it is uncertain as one cannot analyse each and every change in whole industry throughout the world, it becomes extremely difficult to predict the future happenings.
6. **Relativity:** business environment differs from place to place and time to time, due to difference in nature of humans of different places and time and humans are basis of environment.
7. **Complexity:** business environment consists of interrelated and dynamic elements; it becomes difficult to understand it as whole, as compared to parts.

## **Importance:**

1. **Discovery of opportunities:** Enables the Firm to Identify Opportunities and Getting the First Mover Advantage.
2. **Warns about threats:** Helps the Firm to Identify Threats and Early Warning Signals to be ready to face it.
3. **Tapping useful resources:** Helps in Identification and procurement of useful resources which helps in improving enterprise produce.

4. **Coping with Rapid Changes:** Helps in Coping with Rapid Changes and facilitates survival of business.
5. **Helps in planning and policy formation:** Helps in Assisting in Planning and Policy Formulation as it give a quite clear idea of future.
6. **Helps in improving efficiency:** Helps in Improving Performance, as it introduces enterprise to latest technology and techniques which are more efficient.

### **Dimensions of Business environment:**

1. **Economic Environment:** Value of rupee, inflation rate, disposable income, interest rate for example, a rise in the disposable income of people creates increasing demand for product.
2. **Social Environment:** Customs and traditions, social trends and values which bring various opportunities and threats to business enterprises. For example: Increase in diet soft drinks, mineral water, etc. because of health-and-fitness trend.
3. **Political Environment:** Stability, peace, government attitude towards business. For example, if the government provides subsidy in the production of cotton garments, it will have positive effect on cotton textile businesses.
4. **Legal Environment:** Legislations, administrative orders, court judgements. For example, advertisements for packets of cigarettes must carry the statutory warning. "Cigarette Smoking is Injurious to Health.
5. **Technological Environment:** Scientific improvement and innovations. For example, booking railway and air tickets through internet.

**Demonetisation:** can be defined as an economic policy where a certain currency unit ceases to be recognised or used as a legal tender. Discontinuation

### **Objective of demonetisation:**

1. Curb Corruption.
2. Accumulation of Black Money.
3. Tax Administrative measure.
4. To stop tax evasion.
5. Channelising savings into the formal financial system.
6. Creates cashless or cash-lite economy.

### **Impact of Demonetisation:**

1. **Money/Interest Rates:** As Cash transaction declined, Bank deposits increased and also Increased in financial savings.

2. **Private wealth:** Private wealth declined as a lot of black money was ceased and some went in vain.
3. **Digitisation:** Digital transaction amongst new users, widespread of digital transaction.
4. **Real Estate:** Decline in price of both residential and commercial infrastructure.
5. **Tax Collection:** As digitalisation made hard to hide black income. Hence, lead to huge increase in tax collection.

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