

### **Business Environment:**

Understanding the environment within which the business has to operate is very important for running a business unit successfully at any place. Because, the environmental factors influence almost every aspect of business, be it its nature, its location, the prices of products, the distribution system, or the personnel policies. Hence it is important to learn about the various components of the business environment, which consists of the economic aspect, the socio-cultural aspects, the political framework, the legal aspects and the technological aspects etc. In this chapter, we shall learn about the concept of business environment, its nature and significance and the various components of the environment. In addition, we shall also acquaint ourselves with the concept of social responsibility of business and business ethics.

### **Nature of Business Environment:**

Business environment consists of the external forces which affect the functioning of a business enterprise. These forces may be divided under two categories, namely: (i) General environment; and (ii) Specific environment. It should be noted that every business unit also has internal environment which includes production, finance, marketing, personnel, legal, etc.

### **Concept of Business environment:**

Business organization has to interact and transact with its environment. Hence, both the business and environment are totally interrelated and mutually interdependent. Business environment refers to those aspects of the surroundings business enterprise, which affect or influence its operations and determine its effectiveness.

### **LIBERALISATION:**

Liberalization refers to the process of eliminating unnecessary controls and restrictions on the smooth functioning of business enterprises. It includes:

- (i) abolishing industrial licensing requirement in most of the industries;
- (ii) Freedom in deciding the scale of business activities;
- (iii) freedom in fixing prices of goods and services;
- (iv) simplifying the procedure for imports and exports;
- (v) reduction in tax rates; and
- (vi) simplified policies to attract foreign capital and technology to India.

Through this liberalisation process, Indian Economy has opened up and started interacting with the world in a big way. This has resulted in easy entry of foreign business organisations in India. This has further resulted in stiff competition and efficiency. Ultimately, liberalisation has helped us in achieving a high growth rate, easy availability of goods at competitive rates, a healthy and flourishing stock market, high foreign exchange reserve, low inflation rate, strong rupee, good industrial relations, etc.