



Subject \_ Economic Environment  
Topic \_ Component and importance  
Class \_ B.com(3<sup>rd</sup> year)  
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## **Meaning of business**

The term business is used in different sense. In a functional sense it is used to refer to the function or activities of an organization or individual. sometimes it is used to refer to the enterprise or unit rendering the business. The term is also used in a very bold sense to embrace the whole business system. Traditionally, the term businesses commonly referred two commercial activities aimed at making a profit or to organization formed to make a profit.

## **Concept of environment**

environment literally means the surroundings, external agent, influences or circumstances under which someone's are something exist. The environment of any organization is the aggregate of all conditions, events and influences that surround and affect it, environmental factors are essentially governing factors within which the firms and their management's must operate.

# Meaning of Economic environment

The term economic environment defined as the totality of economic factors such as employment income, inflation, interest rates, productivity and wealth, that influence the business decisions and the buying behaviour of consumers and institutions. It is a complex and wide term, affected by this several factors as income, investment, saving etc. It combines two words economic and environment. Environment refers to all external forces which have a bearing on the functioning of an economy.

## Definition of Economic environment

“The environment includes factors outside the firms which can lead to opportunities for or threats to the firms. Although there are many factors, the most important of these factors are socioeconomic, technological, supplier, competitors and government.”

:- William F. Glueck and Lawrence

# Characteristics of Economic environment

The important characteristic of economic environment are as follows

**1. Related with Economic activities:** Economic environment is directly related to economic activities of an economist includes all economic activities like government, income and expenditure, industry ,business, Commerce ,agriculture, transport insurance, banking etc.The economic environment existing in the country affects the economic activities to a great extent.

**2. Effected by Non economic Environment:** The non economic environment like geographical, social and political environment affects economic environment.It is also affected by national and international conditions.Geographical environment includes natural resources, weather and climate condition, location aspect etc.Social environment excludes social, culture, education, health etc. and political environment includes administrativesystems types of economy, economic policies and other factors.All of these influence economic environment.

**3. Operated and guided by government :** Economic involvement works under control and guidance of government.

In capitalist economy, Government adopts the policy of minimum interference but in socialist economy, Government itself operates all economic activities. Does economic involvement is affected by government policies, subsidies, assistance and control.

**4. availability of capital** : Availability of sufficient capital tends to effective utilization of available natural and human resources which facilitates to increase in income, investment, employment and economic development of a country

**5. Infrastructure** : Economic involvement is influenced by the availability of infrastructure facilities like electricity, power generation, water resources, transport and communication, banking and insurance. Presence of these facilities adds economic development.

**6. made up of macro level factors** : The economic environment is made up of macro level factors later to the areas of production and distribution of wealth. These factors are economics stages (Underdeveloped, developing or developed); Economic structure like capitalistic, Socialist or mixed economy; Economic planning and policies; Economic and social indicators like national income per capita income growth rate, GNP distribution of income rate of saving, balance of payment etc.

## **Objective of economic environment**

The main objective of the economic environment are :

1. Its objective is economic development in successful operation of economy.
2. To know about the changes taking place in the economy.
3. To introduce latest technologies, resources and use of opportunities.
4. To study environmental elements so as to copper fit dynamic conditions.
5. To maintain the environment according to development requirement of an economy.
6. To ensure maximum utilization of resources for development of the country .
7. To understand global environmentement to cope with our economic environment to attract foreign capital and entrepreneurs.

## **Main components of business environment**

## **(A)Internal environment**

1. Business objectives and characteristics
2. Business and managerial policies
3. Business capacity
4. Production system and techniques
5. Efficiency level of Labour and management
6. Business plan and strategies
7. Business management, communication and information system
8. Social responsibility
9. Business approach
10. Finance system

## **(A)External environment**

1. MicroEnvironment
2. Macro Environment

### **Micro**

(i)Supplier's

(ii)Customer

(iii)Competitors-

(a) desire competition,

- (b) genetic competition,
- (c) product competition,
- (d) brand competition
- (iv) Marketing intermediaries-
  - (a) Middlemen,
  - (b) physical distribution firm,
  - (c) marketing saving agency
  - (d) financial intermediaries
- (v) Public-
  - (a) public media
  - (b) local public,
  - (c) other public

## **Macro**

- (i) Economic environment-
  - (a) stage of economic development
  - (b) economic policies,
  - (c) economic system
- (ii) Socio-cultural Environment
- (iii) Demographic Environment
  - (a) size of population, Growth rate, age, sex composition

(b)family size

(c)economic stratification of population

(d)educational level

(e) health housing and nutrition.

(f)caste religion etc.

(iv)Natural environment

(v)Technological Environment

(vi)Political and administrative Environment

(vii)International Environment

## **Importance of economic environment**

### **Importance in business**

1. Knowledge of Internal environment.
2. Objective determination of business and its objectives.
3. Profit earning survival and growth of profit earning survival and growth of business.
4. I need knowledge of international environment.
5. Proper utilization of opportunities created by environment.
6. Diversification.
7. Promotion of business efficiency and creation of quality.
8. To forecast the impact of social cultural factors.
9. For optimum utilization of resources.

10. Technological changes.

### **Important in government perspective**

1. Helpful in determination of macro economic policies.

2. Helpful in planning efforts.

3. Helpful in determination and direction of international business operation.

4. Social significance social significance of business environment.

## **Questions**

**Short :**

1. What do you mean by economic environment ?

2. What is objective of economic environment?

**Long :**

1. What is economic environment? Explain in detail external environment of India?
2. What is economic environment? Explain importance of economic environment.

## **Keywords**

1. Optimum utilisation
2. Capitalist
3. Administrative system
4. Insurance

## **References**

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# Thanks