

Impact Of Changing Socio-Economic Environment On Business In India

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ABSTRACT:

The social structure and the culture of society have great influence on the functioning of business activities. Each society has its own culture which consists of the customs, values, attitudes, beliefs, habits, languages and other forms of interaction between the members of the society. Any business firm which aims at entering any market for its products and services must develop complete understanding of socio economic philosophy of the society. In the era of globalization, no business can survive and grow without social harmony and without understanding the impact of demographic changes in the country or in a region. This paper focuses on the changes in socio-economic environment in India and its impact on business in the future.

Keywords: culture, demographic changes, social responsibility, social structure.

INTRODUCTION:

Socio economic philosophy studies the relation of economics to social values, social responsibility. It also studies the reciprocal relationship between economic science on the one hand and ethics and human dignity on the other toward social reconstruction and improvement. Social factors include **the cultural implications, the gender and connected demographics, the social lifestyles, the domestic structures.** Three aspects may be noted in the current socio-economic philosophy:

Define Socio Economic Environment:

“A definition of the term, “Socioeconomic Environment” is presented. It refers to the combination of external social and economic condition that influence the operation and preformation of an organization. The socioeconomic environment is part of the overall business environment”.

FACTORS OF SOCIO-ECONOMIC ENVIRONMENT:

Socio-economic factors are lifestyle components and measurements of both financial viability and social standing. They directly influence social privilege and levels of financial independence. Factors such as health status, income, environment and education are studied by sociologists in terms of how they each affect human behaviour's and circumstances. As lifestyle measurements, they are believed to be directly correlated to patterns of drug

use, food choices, migration, disease prevalence and rates of mortality in human populations.

Education

In the most obvious way, educational levels influence economic status, as higher paying jobs tend to require advanced or specialized education. Education, however, also determines social status and allows people to trust those who are educated in their fields of employment. Car mechanics may not be generally considered to be as smart as attorneys, but when a car needs repair, a consumer respects a mechanic's expertise to fix the problem. Trained health care professionals are able to influence the eating and exercise behaviour's of entire communities through public campaigns. If they were not held in high social regard, this would not be possible.

Income

Net income is a direct contributor to what a single person or family can afford to spend. Income determines neighbourhood choices and living conditions. It is often the deciding factor in higher educational pursuits. People living closer to the poverty line may forego one necessity for another, such as medicine for food or doctor visit co-pays for utility bills. Others with income to spare may spend or save money to contribute to lifestyle freedoms such as travel, early retirement accounts and various luxury items.

Environment

Environment does not have to determine socio-economic status, but is often a reflection of it. An adult may choose to live in a lower income neighbourhood to save money on rent. The same person may also choose to socialize with workmates instead of neighbours. In this instance, living environment is not a factor in personal socio-economy. However, children born and raised in the same environment may be socially restricted, as they may be forced to attend public school in an area zoned for their home address.

CHANGES IN SOCIO-ECONOMIC FACTORS:

Education

Our economy is supported by small businesses. While there are different ways of measuring this, in general we accept that small businesses make up 99.7% of U.S. employer firms, create 63% of net new private-sector jobs, and provide 48.5% of private-sector employment.

Goldman Sachs *10,000 Small Businesses* was designed by Babson College to provide an integrated program of education, business advising, and opportunities to access capital to support the growth of participating small businesses. *10,000 Small Businesses* was announced in 2015 and launched in 2016. By last year we had grown enough to share what we had learned through the data we collected about the program.

We just released our second progress report which reports on almost 1,000 more business owners who have completed the program and extends the time span from six to 18 months post program. *Stimulating Small Business Growth* tells the story of small business growth, who grew, by how much, and how.

Income

The income may have positive or negative consequences on a small business, depending on many factors. The income effect relates to how a consumer spends money based on an increase or decrease in his income. An increase in income results in demanding more services and goods, thus spending more money. A decrease in income results in the exact opposite. In general, when incomes are lower, less spending occurs, and business are hurt by the effect. But this is not always the case.

If a small business specializes in goods or services that are bought when incomes have decreased, it may see a boom in profits. Examples of these types of businesses include discount stores, stores that sell items in bulk or other inexpensive retailers. More than likely, for most businesses, when the income

effect shows a decrease in income, there will be less spending, and business will be affected negatively. Two factors, the marginal propensity to spend and the marginal propensity to save, are looked at when determining the influences of the income.

Health

The owner of several small businesses recently testified before the House Committee on Small Business on behalf of the Commerce. According to his testimony, "The biggest barrier that prevents small businesses from providing health benefits to employees is the cost of insurance. "According to the Commerce, the exchange could be a powerful tool for connecting individuals and small businesses with insurers, and helping them to shop smart and find the best-fit policies. "All sizes of businesses should be allowed to participate in the exchange, if they choose to, and it should include pooling arrangements that help spread risk and give maximum leverage to consumers and small business.

Environment

Small business are normally privately owned corporation, partnership, or sole proprietorship .what are defined as "small" in terms of government support and tax policy varies depending on the country and industry. Small business administration programs. Small business can also be classified according to other methods such as sales, assets, or net profits. Small business is common in many countries .depending on the economic system in operation. For ex, small scale manufacturing, convenience store, other small shops.

IMPACT OF SOCIO-ECONOMIC CHANGES ON BUSINESS ENVIRONMENT:

A complete understanding of the demographic features of a market is very necessary for designing the appropriate business strategies. Many multinational companies have entered India during the last few years considering the sheer size of population in these countries.

Size of Population:

The main problem that is faced by most of the developing countries of the world including India is their growing high population, leading to high pressure on the land and agricultural sector. According to the provisional reports released on 31 March 2011, the Indian population increased to 1.21 billion with a decadal growth of 17.64%.

A business firm which reads the demographic changes accurately and monitors them continuously will find opportunities knocking at its doorsteps.

The size of the population is an important determinant of demand for many products. Poor countries with small population are generally not attractive for business. As against that, the advanced countries, particularly those with large population, are generally attractive markets. Because of the large potential of these markets, the competition is also quite strong

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|---------------------------------------|------|------|------|------|------|------|------|
| YEAR | 19 | 19 | 19 | 19 | 19 | 20 | 20 |
| | 51 | 61 | 71 | 81 | 91 | 01 | 11 |
| POPULATION RATIO (in millions) | 36 | 43 | 54 | 68 | 84 | 10 | 12 |
| | 1.09 | 1.23 | 1.16 | 1.33 | 1.42 | 1.74 | 1.19 |

Source: National Sample Survey Office.

Emergence of Young Population:

High population growth rate also implies an enormous increase in the labour supply and its cost. Cheap labour and a growing market have encouraged many multinationals to invest in developing countries 65% below the age of 35. It is expected that, in 2020, the average age of an Indian will be 29 years, compared to 37 for China and 48 for Japan.

Low Birth Rate and Rise in Nuclear Families: Government of India has taken several initiatives in past to check the population explosion in India. The result of these initiatives is the reduced birth rate in urban families. The falling birth rate and rising longevity will significantly alter the age distribution within the population. The proportion of aged in the total population will go up. The changes in the age distribution have a lot of implications for business. Several pharmaceutical companies are paying a lot of attention to the potential requirements of the aged population. In the modern era of 21st century; people like to live in nuclear families as needs and requirements of family members are increased and changed and also due to low birth rate.

Urbanization:

India continues to have a predominantly rural population though the proportion of people living in urban areas has progressively increased since 1951. The increase in urbanization of population in India has led to growth of slums with unhygienic living conditions and various other problems as well as increase in the demand for products and services.

Urban Women in the Work Place:

There is an increase in women’s economic participation in the past two decades. Due to increase

in the employment of women in India, the income of a family goes up. It leads to more consumption and positive changes in living standard of the family. According to India’s National Sample Survey, the proportion of working women in urban areas has increased from 11.9% in 2001 to 15.4% in 2011.

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|---------------------------------|------|------|------|------|------|
| YEAR | 1971 | 1981 | 1991 | 2001 | 2011 |
| URBAN WOMEN IN WORKFORCE | 6.68 | 8.31 | 9.19 | 11.9 | 15.4 |

Source: Office of the Registrar General, India; National Sample Survey Office

Education:

There is a close positive relationship between education and level of economic well-being. According to the World Bank report, developing countries with high literacy rates have tended to grow faster even after allowances are made for differences in income and investment.

Number of Universities and Colleges in India

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|-------------|---------------------|-----------------|
| YEAR | UNIVERSITIES | COLLEGES |
| 1971 | 103 | 3605 |
| 1981 | 133 | 4722 |
| 1991 | 190 | 7346 |
| 2001 | 256 | 12806 |
| 2012 | 659 | 33023 |

Source: AICTE, UGC, Planning Commission.

Increase in the Divorce Rate:

The statistics for 1990 show the number of divorces granted in India averaged 74 out of 1000 marriages or a percentage rate of 7.4. The rise in divorce has now climbed to 100 out of 1000 marriages or 10%. With more education comes the opportunity for financial freedom also increases. There are some other reasons such as the category of —Double Income No Kids couples is not worried about how the divorce may negatively impact the children's lives.

SOCIO-ECONOMIC FACTORS AFFECTING SMALL SCALE BUSINESS

Socioeconomic factors are characteristics that define the quality of life in a society. They influence the behaviour’s, attitudes, trends, tastes and lifestyles of individuals. In fact, the different class segments of the society -- that is, upper class, middle class and lower class -- are attributable to the socioeconomic factors. Education, income and

occupation are the main parameters of socioeconomic status, according to the American Psychological Association.

Income

Income is the amount of money individuals earn from their daily economic activities, be it employment, business or investments. The availability of disposable income influences spending habits. However, when income is scarce, customers tend to restrict their spending to essential items. Income fluctuations occur as a result of changes in the rates of economic growth. When the economy is doing well, employees earn pay hikes, businesses post record sales, financial markets thrive and mutual funds grow. The opposite happens during periods of economic decline. During the 2015-2016 global economic crisis, for example, businesses recorded reduced sales after credit facilities became scarce and many people lost jobs.

Education

Education equips members of the society with the skills and knowledge they require to be employed in different jobs and professions. The standards of education in your society depend on the availability and accessibility of educational amenities. A society that has a well-educated population flourishes because individuals are employable in well-paying jobs. The literacy levels in your target markets also influence your scope of interactions with customers. For instance, carrying out a consumer survey with educated individuals would be easier than doing the same with illiterate consumers. Education further determines the availability of skilled workforce when seeking employees for your small business.

Occupation

Occupation refers to the type of jobs people perform by virtue of their skills, experiences or choices. You may be self-employed or work as an employee of an individual or organizational entity. The different types of occupation dictate the income earned by people in the society. High-salaried individuals are normally associated with skilled occupations such as doctors, engineers, lawyers and accountants. Self-employed individuals owning successful businesses also generate huge amounts of income. Unskilled occupations such as menial labor do not pay much. Therefore, the ability of customers to afford the different products you offer in your business depends on types of their occupation.

CONCLUSION:

The nature of goods and services in demand depends upon the changes in habits and customs of people in the society. With rise in population the demand for household as well as other goods especially packaged food has increased in the recent past. The operations of the business are greatly influenced by the changes occurred in socio-economic environment from time to time.

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