

CONSEQUENCES OF CHANGING SOCIO-ECONOMIC ENVIRONMENT ON BUSINESS IN INDIA

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ABSTRACT

Our "environment" includes both social and physical determinants of health. Social impacts on health are embedded in the broader environment and shaped by complex relationships between economic systems and social structures. These systems and structures impact the distribution of resources, money and power in a community and around the world. This distribution, known as the socioeconomic environment, shapes how communities and individuals can gain the resources needed to meet their basic human needs. 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.

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.

INTRODUCTION

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.

Three aspects may be noted in the current socio-economic philosophy:

1. Changes in our Life Styles and Social Values: For instance, changing role of women, emphasis on quality of goods instead quantity of goods, greater reliance on government, and greater preference for recreation activities.
2. Major Social Problems: For example, concern for pollution of environment, demand for socially responsible marketing policies, head for safety in occupations and products, etc.
3. Growing Consumerism: It is indicating consumer dissatisfaction on a large scale against unfair trade practices. Social environment in many countries is responsible for emphasizing social responsibility of business and customer oriented marketing approach.

FEATURES OF SOCIO OF SOCIO-ECONOMIC ENVIRONMENT

Socio-economic features 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 behavior's and circumstances.

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 neighborhood to save money on rent. The same person may also choose to socialize with workmates instead of neighbors. In this instance, living environment is not a factor in personal socioeconomic. 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.

CONSEQUENCES OF SOCIO-ECONOMIC CHANGES ON BUSINESS ENVIRONMENT

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%.

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.

SOCIO-ECONOMIC FACTORS AFFECTING SMALL SCALE BUSINESS

Socioeconomic factors are characteristics that define the quality of life in a society. They influence the behavior'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 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. Selfemployed 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.

Make in India

On September 25, 2014, the Indian government announced the 'Make in India' initiative to encourage manufacturing in India and galvanize the economy with dedicated investments in manufacturing and services. Immediately after the launch, investment commitments worth crores were announced. In 2015, India emerged as the top destination for foreign direct investment, surpassing the U.S. and China. In line with the national programme, States too launched their own initiatives. Five years later, as we brace for another Union Budget, it would be appropriate to take stock of the much-hyped initiative as the economy in general, and the manufacturing sector in particular, is on a slippery slope.

The 'Make in India' idea is not new. Factory production has a long history in the country. This initiative, however, set an ambitious goal of making India a global manufacturing hub. To achieve this goal, targets were identified and policies outlined. The three major objectives were: (a) to increase the manufacturing sector's growth rate to 12-14% per annum in order to increase the sector's share in the economy; (b) to create 100 million additional manufacturing jobs in the economy by 2022; and (c) to ensure that the manufacturing sector's contribution to GDP is increased to 25% by 2022 (revised to 2025) from the current 16%. The policy approach was to create a conducive environment for investments, develop modern and efficient infrastructure, and open up new sectors for foreign capital.

▪ **Improving the Business Environment:**

The government should simplify the regulatory framework for doing business in India by reducing red tape, corruption, and policy uncertainty.

The government should also implement the reforms in labour laws, land acquisition laws, contract enforcement laws, and bankruptcy laws that can improve the flexibility and efficiency of the labour market, the land market, the credit market, and the legal system.

Fostering Innovation and Entrepreneurship:

The government should foster a culture of innovation and entrepreneurship in India by supporting research and development, science and technology, startups, and incubators.

The government should also facilitate collaboration between academia, industry, and government to create an ecosystem that can generate new ideas, products, processes, and solutions.

The government should also protect intellectual property rights and incentivize patenting and licensing.

Mitigating Climate Change and Environmental Degradation:

The government should mitigate climate change and environmental degradation in India by adopting green policies that can reduce greenhouse gas emissions (GHGs), promote renewable energy sources, enhance energy efficiency, conserve natural resources, protect biodiversity, and improve waste management.

The government should also implement adaptation measures that can increase resilience to climate shocks such as floods, droughts, cyclones, heat waves etc.

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 socioeconomic environment from time to time. Every business organization must act for the benefit of the society and to maintain balance between the economy and the ecosystems by efficiently using scarce resources of the society for the economic development and also understand the socio and cultural factors for better future of their business. In a modern business, social forces usually influence the welfare of a business concern in the long run. 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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