



UGC-NET

←————→
COMMERCE

NATIONAL TESTING AGENCY (NTA)

PAPER – 2 || VOLUME – 1

**Business Environment & International
Business, Accounting & Auditing**



UGC NET PAPER – 2

COMMERCE

VOLUME - 1

S.N.	Content	P.N.
UNIT – I		
Business Environment and International Business		
1.	1. Concepts and Elements of Business Environment	1
	2. Scope and Important of International Business	18
	3. Theories of International Trade	26
	4. Foreign Direct Investment (FDI) Foreign Portfolio Investment (FPI)	32
	5. Balance of Payment (BOP)	39
	6. Regional Economic Integration	45
	7. 4 Major International Economic Institutions	54
	8. World Trade Organization (WTO)	57
	9. Practice Questions	61
UNIT – II		
Accounting and Auditing		
2.	1. Accounting Concepts, Principles and Basic Term	69
	2. Basic Accounting Principles	70
	3. Partnership Accounts	73
	4. Corporate Accounting	180
	5. Holding Company Accounts	211
	6. Cost and Management Accounting	216
	7. Financial Statements Analysis	243
	8. Human Resources Accounting	263
	9. Indian Accounting Standards and IFRS	267
	10. Auditing	271
	11. Recent Trends in Auditing	278
	12. Practice Question	282

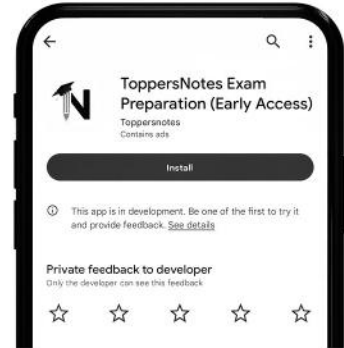
Dear Aspirant,
Thank you for making the right decision by choosing ToppersNotes.
To use the QR codes in the book, Please follow the below steps :-



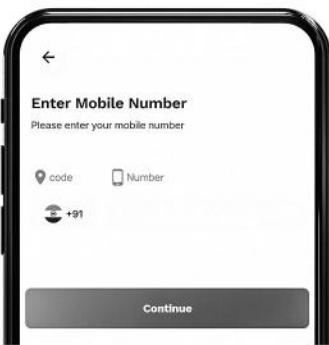
To install the app, scan the QR code with your mobile phone camera or Google Lens



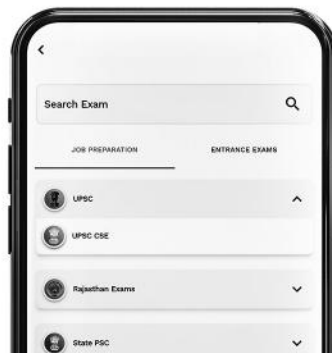
**ToppersNotes Exam
 Preparation app**



Download the app from Google play store



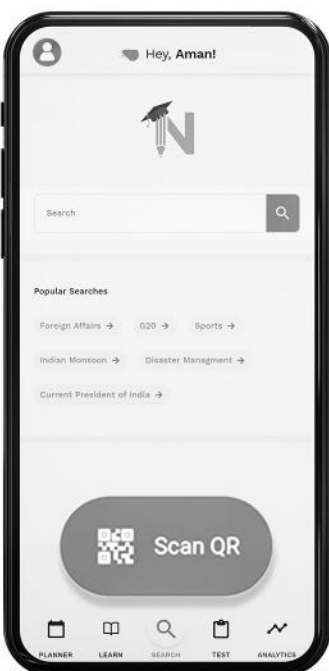
To Login enter your phone number



Choose your exam



Click on search Button



Click on Scan QR



Choose the QR from book



- Solution Videos
- Concept Videos
- Doubt Videos



- Additional Learning Material



- Topic wise practice
- Weakness analysis



- Rank Predictor
- Test Practice

For any help,
 write us at hello@toppersnotes.com or
 whatsapp on [7665641122](https://wa.me/917665641122).

Business Environment and International Business

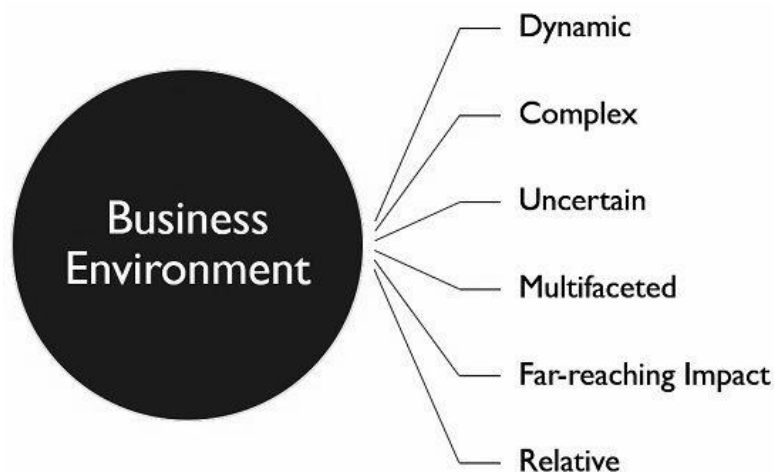
Chapter - 1

Concepts and Elements of Business Environment

The term 'business environment' connotes external forces, factors and institutions that are beyond the control of the business and they affect the functioning of a business enterprise. These include customers, competitors, suppliers, government, and the social, political, legal and technological factors etc. While some of these factors or forces may have direct influence over the business firm, others may operate indirectly. Thus, business environment may be defined as the total surroundings, which have a direct or indirect bearing on the functioning of business. It may also be defined as the set of external factors, such as economic factors, social factors, political and legal factors, demographic factors, and technical factors etc., which are uncontrollable in nature and affects the business decisions of a firm.

Salient Features of Business Environment

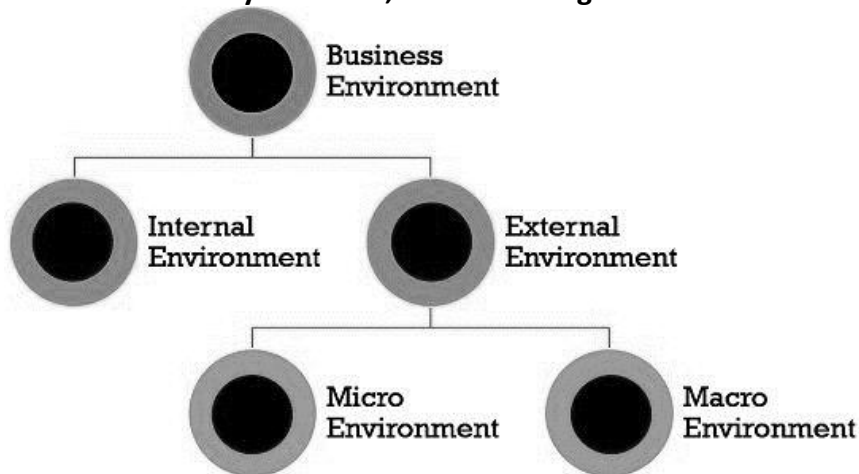
The Salient Features of the Business Environment are given here under -



1. **Dynamic**: The environment in which the business operates changes continuously because there is a wide variety of factors that exist in the environment, causing it to change its shape and character.
2. **Complex** There are many forces, events and conditions that constitute business environment, arising from various sources. So, it is a bit difficult to understand the relative influence of a particular factor, on the operation of the organisation.
3. **Uncertain**: Uncertainty is an inherent characteristic of the business environment because no one can predict what is going to happen in future.
4. **Multi-faceted**: A single change in the business environment, can be viewed differently by different observers because their perceptions vary.
5. **Far-reaching Impact**: The survival, growth and profitability, of a business enterprise, depends largely on the environment in which it exists. A small change in the environment has a far-reaching impact on the organisation in different ways.
6. **Relative**: The notion of a business environment is relative since it varies from one location to another.

Components of Business Environment

The Business Environment is broadly classified, into two categories -



1. **Internal Environment:** The factors which exist within the organisation, imparting strength or causing weakness to the organisation, comes under internal environment. It includes:

- Value System
- Vision and Mission
- Objectives
- Corporate Culture
- Human Resources
- Labor Union

2. **External Environment:** External Environment consists of those factors which provide an opportunity or pose threats to the business. It is further classified as:

- **Micro Environment** - The immediate periphery of the business that has a continuous and direct impact on it is called Micro Environment. It includes suppliers, customers, competitors, market, intermediaries, etc. which are specific to the business.
- **Macro Environment** - Macro Environment, is one such environment that influences the functioning and performance of every business organisation, in general. It comprises of the demographic, socio-cultural, legal, political, technological, and global environment.

All business enterprises, functions within an environment, called as the business environment. An individual business firm survives and grows within the periphery of its environment.

PESTLE - Political, Economic, Social, Technological, Legal, environmental.

A firm is only a part of a big environment, and so there are only a few factors which are under the control of the firm.

So, the firm has no other option, but to respond and adapt accordingly. If business persons possess a good understanding of the business environment, they can easily recognise, analyse and react to the forces that affect the firm.

Dimensions of Business Environment

As we learned that there are various forces that affect the business environment like suppliers, customers, investors, competitors, etc. Now let's understand the general forces that affect and shape the business environment. There are five general dimensions of the business environment.

1. Economic Environment

- **The Rate of Inflation:** The simplest way to understand inflation is to see it as rising prices. If the economy is in the state of boom. Where business is flourishing and everyone is earning good amount of money which results in the increase in purchasing power of the consumer. This means that producer is able to sell his commodity at a high price in the market. Whereas, in a state of depression in the economy, the purchasing and investing power of the customer falls down. As the firm can't influence the general factors of business environment, it has to change itself in order to survive the change. And producer has to re-establish the prices of his commodity for people to afford it.
- **Demand and Supply:** When business identifies a profitable opportunity they are observing the existence of a potential demand for the product. And businesses which can foresee potential profits have an incentive to increase production. Demand and the supply of a commodity in the market influence the business environment enormously. This factor is based on the demand of a commodity in the market and the producer's ability to produce it on time.
- **Economic Policies:** Government seek out to control the business environment in order to meet a range of objectives. These include stability and predictability, health and safety. Local, state and national policies affect the planning and operations of business deeply. Economic policies are drafted to direct the economic activities. They include import-export, employment, tax structure, industry, public expenditure, public debt, foreign investment, etc.

2. Social Environment

- **Culture and Traditions:** In India, culture and traditions influence a majority of business. Traditions mean the social practices that have passed down from one generation to another. For example, Diwali, Christmas and Eid. These festivals prove to be a profitable period for electronics, sweets, greeting cards and restaurant businesses. The business should plan its strategies according to the traditions and social practices of a country.
- **Social Trends:** Social trends in a society are proportional to the demand for the product. The example of the social trend is health and fitness. The products such as diet foods, diet drinks and fitness centres have given a new face to the industry of health and fitness.
- **Values:** Values can be called as the standard society keeps about itself. Such as freedom, social justice and equal opportunities.

3. Legal Environment

- The legal environment includes the laws passed by the government as well as the decisions rendered by the various commissions and agencies at every level of the government. It's important that every business must function according to the law of the area in which it wishes to operate.
- Not obeying the rules can result in legal trouble for the business. In India, business firms are required to have complete knowledge of acts like Companies Act 1956, Consumer Protection Act 1986, Industrial Disputes Act 1947, and Competition Act 2002 and so on. For example, it is mandatory for tobacco companies to print 'smoking is harmful' on its products.

4. Technological Environment

- The primary forces that are responsible for the improvement in the scientific field and new innovations being introduced in the market for improving the quality of goods and services and techniques for operating business more efficiently are known as technological factors in the business environment.
- Just like two sides of the same coin, technological changes are threats to some organisations and opportunities for other. The introduction of Television was a major blow to the industry of Radio and Cinema industry. Mobile phones have snatched the market from Telephones.
- These days, the online food delivery businesses are emerging in the market which is using smartphone technology that is 'Apps' to order food online. This is a major change in the food industry business and has affected the restaurant industry tremendously.
- New innovations are occurring in medicine, telecommunications and biotechnology. Recent advancement in the market of Autonomous cars example Driverless cars is proving to be a major threat to the business of self-driving car industry.

5. Political Environment

- This factor consists of external factors such as political stability and peace in the country. The foresight of the ruling party and its perspective towards business. Needless to say, the political environment is easily the most important dimension of the business environment.
- As it decides what is the ideology of the party which is dominant in the country. For example, after globalisation India let foreign companies enter Indian market for giving a boost to different industries such as the food processing industry, the technological industry.
- Businesses function with the nature and the framework of the political party. The components of a political environment consist of the constitution of the country, political stability, political ideology, political outlook on business sectors, the extent of government intervention and degree of politicisation of business and economic issues.

Organisation name	Year of establishment	Purpose	Members	Headquarter
World Bank	1945	Financial and technical assistance to member countries	189	Washington DC
IMF	1944	Ensures the stability of international monetary system	190	Washington DC
WTO	1 Jan 1995	Deals with the rules of trade between the nations	164	Geneva, Switzerland
SAARC	1985	South Asian Association for Regional Cooperation	Afghanistan, Bangladesh, Bhutan, India, Nepal, Maldives, Pakistan, Sri Lanka	Kathmandu Nepal
BIMSTEC	1997	Bay of Bengal Initiative for Multi Sectoral	Bangladesh, Nepal, Myanmar,	Dhaka, Bangladesh

		Technical and Economic Cooperation	India, Sri Lanka, Bhutan, Thailand	
ASEAN	1967	Association of SouthEast Asian Nations	Indonesia, Malaysia, Philippines, Singapore, Thailand (founding member), Brunei, Cambodia, Laos, Myanmar and Vietnam	Jakarta, Indonesia
ADB	19 Dec, 1966	Asian Development Bank provides loans and technical assistance to member countries	68	Mandaluyong, Metro Manila, Philippines

- Economic System:** It is the means by which government and institutions distribute and manage scarce resources available across a region or a country. It mainly answers these questions: What to produce. How to produce and for whom to produce.

Types of Economy

Parameters	Capitalist economy	Socialist economy	Mixed economy
Ownership of property	Private ownership	Public ownership	Both public and private ownerships
Price determination	Prices are determined by the market forces of demand and supply	Prices are determined by the central planning authority	Prices are determined by the central planning authority, and demand and supply
Motive of production	Profit motive	Social welfare	Profit motive in the private sector and welfare motive in the public sector
Role of government	No role	Complete role	Full role in the public sector and limited role in the private sector
Competition	Exists	No competition	Exists only in the private sector
Distribution of income	Very unequal	Quite equal	Considerable inequalities exist

- Capitalist:** It follows the principle of free enterprises. Its objective is to maximise profit. Individuals determine answers to all the questions. In this no control is found.

- **Socialist:** Government determines answer to all the questions. Its objective is social welfare.
- **Mixed Economy:** It is a mix of public and private sector. Some sectors are administered by the government and some are left for open operations.

Economic Policies

- **Fiscal Policy:** This policy takes into consideration decisions regarding tax rates, expenditure, borrowing from the perspective of the government to control economic conditions in a country.
- **Monetary Policy:** This policy is determined by the central bank to control economic conditions in a country. It includes some qualitative and Quantitative measures.
- **Foreign Trade policy:** It focuses on enhancing the share of India in universal trade.

Introduction to Consumer Protection

A consumer is the one who assumes to be treated like a King as they bring business to the seller. Previously “consumer was asked to beware” but these days fingers have been pointed to seller “let seller be beware” as due to policies introduced, government laws, consumer protection, NGO and the increased competition in the market.

Consumer Protection is a term given to a practice wherein we need to protect the consumer from the unfair practice, educating them about their rights and responsibilities and also redressing their grievances.

Why do Consumers need to be Protected?

There are n number of products in the market which are injurious to the health of the consumer, adulteration, false weights, monopoly and unfair trade practice are some of the issues that need to be tackled and are to be addressed to protect the consumer against it.

How do we protect the Consumer?

The consumer should be educated on their rights and responsibilities

Their grievances should be redressed

The judicial body requires to provide them with the justice.



Importance of Consumer Protection

Importance from Consumer Point of View

- **Consumer Ignorance:** Consumer when seeing it from their point of view then we have gathered some aspects to it. Of which, Consumer Ignorance needs to be taken care of they should know how to exercise their rights and how to seek reliefs.
- **Unorganized Consumer:** We need a Consumer Organisation which can unify the consumers and help them seek relief with their consumer issues.
- **Widespread Exploitation of Consumer:** Consumer is been exploited through the ways of adulteration, false practice, fake weights, incomplete information on packaged products, Misleading Advertisements. For instance, there are many products that claim to make you fair or reduce your weight but when you use the products it does not provide what is promised.

Importance from Business Point of View

Do business really need to consider consumer protection, is there a way which can benefit them as well? Let us have a look at some of the points which provide us with some insight:

- **Long-Term Interest of Business:** If one wants to increase their customer base in long-term then they need to make a satisfied customer. A satisfied customer with their word of mouth would make more customer and increase the consumer base.
- **Business uses society's Resources:** Business should not hamper consumer confidence as most of the resources taken from the society. In turn, business keeps in mind public interest and provide products accordingly.
- **Social Responsibility:** Business have responsibilities towards the consumer, government bodies and society and they should work in a way which should be beneficial to them and the business as in return it will flourish their business.
- **Moral Justice:** Business has a moral duty to the society and consumer and they should take steps which should not hamper the society or consumer. They should prevent any sort of exploitation like adulteration, unfair practices, defective product, fair price and weight.
- **Government Intervention:** To avoid the situation of government intervention in the business which could be a hectic task. For that business should design their trade practice in such a way which would be in the interest of the consumer.



Consumer Complaints

Consumer Complaints are the first step of redressal that the customer takes in the process of consumer protection. Hence this is the most important step that the businesses need to handle with extreme care and dexterity. And in the times of the internet consumer complaints and feedback has more power than ever.

Consumer complaints can actually help an organization improve their products and services. It is a great form of feedback. It gives you a very fair measure of customer satisfaction. And if consumer complaints are dealt with swiftly it actually helps with customer retention and even improves the goodwill of your company.

So instead of treating consumer complaints as a hindrance or a headache, organizations can treat it as a way to bring about improvement and grow their consumer base.

Consumer Protection Act

- Consumer Protection Act has been implemented (1986) or we can bring into existence to protect the rights of a consumer. It protects the consumer from exploitation that business practice to make profits which in turn harm the well-being of the consumer and society.



- This right help to educate the consumer on the right and responsibilities of being a consumer and how to seek help or justice when faced exploitation as a consumer. It teaches the consumer to make right choices and know what is right and what is wrong.
- Who is a consumer according to the Consumer Protection Act, 1986? A consumer is one that buys well for consumption and not for the resale or commercial purpose. The consumer also hires service for consideration.
- Practices to be followed by Business under Consumer Protection Act
- If any defect found the seller should remove the mentioned defects from the whole batch or the goods affected. For example, there have been cases where car manufacturing unit found a defect in parts of the vehicle usually they remove the defect from every unit or they call of the unit.
- They should replace the defective product with a non-defective product and that product should be of similar configuration or should be the same as the product purchased.

Redressal: Three Tier System under Consumer Act

- **District Forum:** These from are set by the district of the state concerned in each district wherein it consists of President and two members of which one should be a woman and is appointed by the State Government. In this, the complaining party should not make a complaint more than 20 Lacs and once the complaint is filed the goods are sent for testing and if they found defective the accused party should compensate and if the party is dissatisfied can make an appeal with state commission within 30 days.
- **State Commission:** This is set up by each state it consists of President and two members. Complaints should be at least 20 lacs and exceed not more than 1 crore. The goods are sent for testing and if found defective are asked for replacement or compensation. If not satisfied can make an appeal within 30 days in front of the National Commission.
- **National Commission:** Consist of President and 4 members. The complaint must exceed an amount of 1 crore. The goods are sent for testing and if found defective are asked for replacement or compensation

Consumer Rights and Responsibilities

Consumer Rights is an insight into what rights consumer holds when it comes to seller which provide the goods. What if the goods provided to the consumer by the business is not up to the standard? Then in that case – what should a consumer do? To be precise, what rights consumer have is in the court of law to fight against the malpractices of the business firms or seller.



Consumer Rights

- **Right to Safety:** This is the first and the most important of the Consumer Rights. They should be protected against the product that hampers their safety. The protection must be against any product which could be hazardous to their health – Mental, Physical or many of the other factors.
 - **Right to Information:** They should be informed about the product. The product packaging should list the details which should be informed to the consumer and they should not hide the same or provide false information.
-

- **Right to Choose:** They should not be forced to select the product. A consumer should be convinced of the product he is about to choose and should make a decision by himself. This also means consumer should have a variety of articles to choose from. Monopolistic practices are not legal.
- **Right to Heard:** If a consumer is dissatisfied with the product purchased then they have all the right to file a complaint against it. And the said complaint cannot go unheard, it must be addressed in an appropriate time frame.
- **Right to Seek Redressal:** In case a product is unable to satisfy the consumer then they have the right to get the product replaced, compensate, and return the amount invested in the product. We have a three-tier system of redressal according to the Consumer Protection Act 1986.
- **Right to Consumer Education:** Consumer has the right to know all the information and should be made well aware of the rights and responsibilities of the government. Lack of Consumer awareness is the most important problem our government must solve.

Responsibilities of a Consumer

The consumer has a certain responsibility to carry as an aware consumer can bring changes in the society and would help other consumers to fight the unfair practice or be aware of it.

- They should be aware of their rights under the Consumer Protection Act and should practice the same in case of need.
- They should be well aware of the product they are buying. Should act as a cautious consumer while purchasing the product.
- If in case a product is found of anything false or not satisfactory a complaint should be filed.
- The consumer should ask for a Cash Memo while making a purchase.
- A customer should check for the standard marks that have been introduced for the authenticity of the quality of the product like ISI or Hallmark etc.

What Is the Meaning of Consumer Awareness?

- Consumer Awareness is the process of making the consumer of goods and services aware of his rights. It involves educating a consumer about safety, information and the redressal options available to him.
- As previously discussed consumer awareness is one of the most persistent problems the government faces when it comes to consumer protection. To resolve this problem the government has come up with various methods over the years. In fact, it is the main aim of the Department of Consumer Affairs.

Consumer Awareness in India

- One of the most important and successful Consumer Awareness campaign in recent times has been the “Jago Grahak Jago” campaign. You must have certainly come across it. It is a great example of successful consumer awareness.

Foreign Exchange Management Act – FEMA

The Central Government of India formulated an act to encourage external payments and across the border trades in India known as the Foreign Exchange Management Act. FEMA (Foreign Exchange Management Act) was introduced in the year 1999 to replace an earlier act FERA (Foreign Exchange Regulation Act). FEMA was formulated to fill all the loopholes and drawback of FERA (Foreign Exchange Regulation Act) and hence several economic reforms (major reforms) were introduced under the FEMA act. FEMA was basically introduced to de-regularize and have a liberal economy in India.

1. **Objectives of FEMA:**

The main objective for which FEMA was introduced in Indian was to facilitate external trade and payments. In addition to this, FEMA was also formulated to assist orderly development and maintenance of the Indian forex market. FEMA outlines the formalities and procedures for the dealings of all foreign exchange transactions in India. These foreign exchange transactions have been classified into two categories — Capital Account Transactions and Current Account Transactions.

Under the FEMA Act, the balance of payment is the record of dealings between the citizen of different countries in goods, services and assets. It is mainly divided into two categories, i.e. Capital Account and Current Account. Capital Account comprises all capital transactions whereas Current Account comprises trade of merchandise.

Current Account transactions are those transactions which involve inflow and outflow of money to and from the country/countries during a year, due to the trading/rendering of commodity, service, and income. The current account is an indicator of an economy's status.

As mentioned above the balance of payment comprises current and capital accounts, the remainder of the Balance of Payment is Capital Account, which consists the movement of capital in the economy due to capital receipts and expenditure. Capital account recognises domestic investment in foreign assets and foreign investment in domestic.

2. **Applicability of FEMA Act:**

FEMA (Foreign Exchange Management Act) is applicable to the whole of India and equally applicable to the agencies and offices located outside India (which are owned or managed by an Indian Citizen). The head office of FEMA is situated at New Delhi and known as Enforcement Directorate.

FEMA is applicable to -

- Foreign exchange
- Foreign security
- Exportation of any commodity and/or service from India to a country outside India
- Importation of any commodity and/or services from outside India
- Securities as defined under Public Debt Act 1994
- Purchase, sale and exchange of any kind (i.e. Transfer)
- Banking, financial and insurance services
- Any overseas company owned by an NRI (Non-Resident Indian) and the owner is 60% or more
- Any citizen of India, residing in the country or outside (NRI)

The Current Account transactions under the FEMA Act has been categorized into three parts which, namely-

- (i) Transactions prohibited by FEMA,
- (ii) The transaction requires Central Government's permission,
- (iii) The transaction requires RBI's permission.

3. Prohibition on Drawal of Foreign Exchange:

- Any kind of remittance out of winning the lottery
- Any kind of remittance from the income on racing/riding etc,
- Any remittance for buying of a lottery ticket, football pools, sweepstakes, banned/prescribed magazines etc.,
- Commission payment on exports towards equity investment of Indian Companies in Joint ventures/wholly owned subsidiaries abroad.
- Remittance of dividend by any company. However, this clause is applicable only if the requirement of dividend balancing is applicable.
- Commission payment on exportation under Rupees State Credit Routes except commission up to 10% of invoice value of export of tea and tobacco,
- Payment regarding “ Call back Services” of telephones
- A travel to Bhutan and/or Nepal
- Remittance of interest income on funds held in NRSR Account i.e. Non-resident Special Rupees Scheme account
- A transaction with a resident of Bhutan or Nepal.

4. Route for Drawal of Foreign Exchange:

According to Reserve Bank of India foreign Exchange can be drawn from any authorized dealer by the Prior Approval Route or General Permission Route.

S. No.	Particulars	Limitations
1.	Visiting privately to any country (except Bhutan and Nepal)	10,000 US dollars or its equivalents for one or more private visits in one year.
2	Donations/Gift per donor	Remittance should not exceed 1,25,000 US dollar during a Financial Year
3	Corporate Donations	1 percent of the forex earnings during the preceding three Financial Year or 5 million US dollar, whichever is less, for a specified purpose
4	Going out of India for the purpose of employment	1,00,000 US dollar one time only
5	Remittance facility for emigrations	1,00,000 US dollar or the prescribed amount by country of emigration not exceeding 1,00,000 US dollar one time only.
6	Remittance for maintenance of relatives (only close relative) outside India	salary (after the deduction of income tax, Provident Fund and other deduction) of a person not being a permanent resident in India and a citizen of foreign state other than Pakistan. Or 1,00,000 US dollar a year per recipient in all other cases
7	Business Travel Abroad	25000 US dollar per trip respective of stay

8	Attending specialized training or conference	25000 US Dollar
9	For Medical treatment	1,00,000 US Dollar
10	Maintenance of a patient going for medical check-up or medical treatment abroad	25000 US Dollar
11	For Studying in Abroad	1,00,000 US Dollar per academic Year or the Institution's estimation whichever is higher.
12	Meeting the expenses of a person accompanying as attendance to a patient going medical check-up or for medical treatment abroad	25000 US Dollar
13	Payment of commission to an agent outside India for selling of commercial or residential plot or flats in India	25000 US Dollar or 5 % of inward remittance per transactions whichever is higher
14	Consultancy services from abroad	1 million US Dollar per project to 10 million US Dollar per project (for infrastructure project) 1 million US Dollar In all other cases.
15	Pre-incorporation's expenses reimbursement	100,000 US Dollar or 5 percent of the investment brought into India whichever is higher,
16	Remittance for purchase and/or use of Trade mark	Allowed without any approval of Reserve Bank of India
17	Remittance for securing Health Insurance for from a foreign company	Freely allow
18	Remittance of royalty and payment of lump sum fee under the technical collaboration agreement	Freely allow without any prior approval of RBI
19	Release of exchange for medical treatment outside India when a person has fallen sick after proceeding abroad	Extent of USD 1,00,000 without any hassles and any loss of time on the basis of self-declarations
20	Small Value Remittance	Up to USD 25000 (form A2)

Transactions for which Central Government prior approval is required for Drawl of foreign exchange

- Cultural tours.
- Advertisement in print media of a foreign country for any purpose other than promoting tourism, international bidding and foreign investments (exceeding 10000 US Dollar) by a State Government and its Public Sector Units.
- Payment of importation by a Public Sector Unit or a department of government on c.i.f. basis only for importation through ocean transport.
- Remittance of freight of vessels chartered.
- Remittance of detention charges of container exceeding the DGS's (Director General of Shipping) prescribed rate.

- Remittance of Prize money/sponsorship of any activity of sport outside India by a person other than national/ international/street level sports bodies, if the amount of the prize money/sponsorship exceeds 1,00,000 US Dollars.
- Remittance of hiring charges of transponders:
- Internet Service Providers
- TV channels
- Remittance for P&I Club ministry's membership.
- Remittance by Multi-model transport operators to their agents in abroad

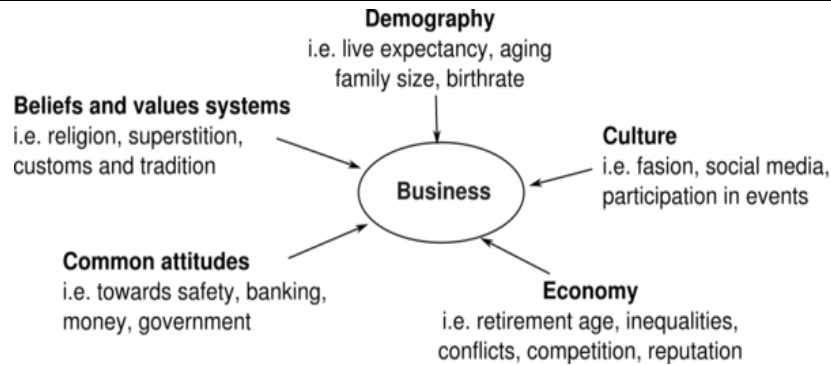
Social and cultural factors affecting business

Social and cultural factors affecting business include belief systems and practices, customs, traditions and behaviours of all people in given country, fashion trends and market activities influencing actions and decisions. Socio-cultural perspective is one of the most important factor influencing decision of marketing managers and strategic goals of companies entering new foreign markets. It should be noted that legal factors affecting business is also considered as one of the major socio-cultural factors that can influence companies. Proper identification of this factor during strategic analysis (PEST analysis, STEEP analysis, SWOT analysis, TOWS analysis) could lead to better strategic alignment of company to society (during international development).

Social factors affecting business

- Social classes and their influence on the society,
- Average disposable income level,
- Wealth of people,
- Economic inequalities,
- Level of education,
- Access to education (free, paid),
- Level and access to health-care,
- Health consciousness in society (smoking, drinking, drug use, safe driving, etc.),
- buying habits and consumer preferences,
- Average retirement age (for men and women),
- Personality of average consumer,
- Reputation of company in society,
- Conflicts within society,
- Susceptibility to influence,
- Social organization (communities, social groups, gangs, ad-hoc gatherings, etc.),
- Uncertainty avoidance dominating in society (or other G. Hofstede socio-cultural factors),

Cultural factors affecting business



- Fashion trends,
- Lifestyle,
- Social media influence (blogging, etc.) vs traditional media (press, TV, radio),
- Dominant communication technology in social groups,
- Participation in cultural events,
- Willingness to pay for tickets,
- Popular actors, music styles, design forms, etc.
- Creativity of people,
- Relative population of local (folk) artists vs. global imported culture,
- Various other determinants of culture.

Socio-cultural factors and demography

- Population growth rate,
- Birth control regulations and incentives,
- Age distribution (ageing of societies can change demand),
- Life expectancy rate,
- Sex distribution (differences between number of men and women in society),
- Average family size and family structure,
- Relative influence of minorities in society,
- Immigration rate,
- Emigration rate,
- Social diversity (of income, education, race, gender, etc.),

Beliefs and value systems within society

- Majority and minority religions,
- Influence of religious leaders on social behaviours,
- Role of religion as a binding/dividing factor in society,
- Dominant beliefs in society,
- Eating habits connected with religion,
- Belief in superstitions (Friday 13th, 13th floor in buildings, etc.) and myths,
- Role of science in relation to religion,
- Customs, traditions during holidays (worship days),

Common attitudes in society

- Attitudes toward banking, saving money and investing,
- Attitudes toward ecological products, recycling, global warming, etc.,
- Attitudes toward renewable energy sources, green products,
- Attitudes toward imported products and services, foreign investments, etc.
- Attitudes toward work and career, possibility of development,
- Attitudes toward leisure and retirement,
- Attitudes toward learning and self-development,
- Attitudes toward others (diverse people, countries, companies, etc.),
- Attitudes toward safety (police, military, etc.) and privacy,
- Attitudes toward ethical/unethical behaviours and Corporate Social Responsibility,
- Attitudes toward management practices (negotiation, business activities, etc.),

Corporate Social Responsibility

In the new Companies Act 2013, there is the new provision for the “Corporate Social Responsibility” under the Section 135 of the Companies Act 2013. By following the provision of the CSR, the companies are giving something back to the society.

Applicable Section Sections & Rules

Section 135 (Corporate Social Responsibility) and Schedule VII and Rules (Corporate Social Responsibility Policy) Rules, 2014 of the Companies Act 2013.

Applicability of the CSR

The applicability of the CSR provisions on the certain class of Companies having:

- (a) Net worth of the company rupees Five hundred crore or more; OR
- (b) Turnover of the company rupees One thousand crore or more; OR
- (c) Net profit of the company rupees five crore or more.

During any financial year to constitute a Corporate Social Responsibility (CSR) Committee of the Board. Any financial year has been clarified as to imply any of the three preceding financial years.

Note: The provisions of CSR are not only applicable to Indian companies, but also applicable to branch and project offices of a foreign company in India.

Calculation of Contribution under CSR

The company spends, in every financial year, at least 2% of the *average net profits of the company made during the three immediately preceding financial years, in pursuance of its Corporate Social Responsibility Policy:

Activities of the company shall give preference to the local area and areas around it where it operates, for spending the amount earmarked for Corporate Social Responsibility activities defined under the Schedule VII of the Companies Act 2013.

If the company fails to spend such amount, the Board shall, in its report made under clause (o) of sub-section (3) of section 134, specify the reasons for not spending the amount.

“Average net profits” shall be calculated in accordance with the provisions of Section 198 of the Companies Act 2013.
