

INDIAN ECONOMIC ENVIRONMENT,401 MBA, IV, TOPIC- Political Environment

Political Environment

The political environment of a country affects its economic environment. The economic environment, in turn, affects the performance of a business organization. India being the largest democracy of the world enjoys a federal form of government. The political environment in India is largely influenced by factors such as policies of the government and the ideologies of various political parties. This unit will introduce you to the role of the government in business through the growth and development of the public sector and the significance of political stability and political maturity as conditions of business growth.

- Political system is also influenced to business and its activities.
- Political pressure groups influence to government and in this way some extent to control and regulate business activities within the country.
- Recently, special interest groups and political action committee put pressure to business organisation and to pay more attention towards consumer's rights, minority rights and women rights.
- Apart from the sporadic movements against certain products and services and some business organisation in the state.

The economic and political systems of a country are mutually dependent, the one reflecting the ideologies of the other. India is a sovereign democratic state operating through a multi-party parliamentary system of government modelled on the British pattern, majority rule being the basic tenet thereof. There is a ruling party (or coalition of parties such as the currently ruling BJP), and there is the 'opposition' (represented in parliament by opposition members who have seats in parliament by virtue of having being elected from their respective constituencies).

The three pillars of the government are (i) Legislature (ii) Executive (iii) Judiciary.

The three branches are

- the Legislative- the part that makes laws
- the Executive - the part that carries out (executes) the laws,
- the Judicial Branch - the courts that decide if the law has been broken.

Separation of Powers helps to protect freedom. The executive branch carries out the laws but cannot make laws to make themselves powerful. Also, the judiciary

is responsible for making sure that criminals are punished, so that members of the government or legislature cannot ignore the law as the judiciary can check on them. Separation of powers is also called a system of checks and balances because the branches can check up on each other and if any of the branches get too strong, that branch will be balanced by the others.

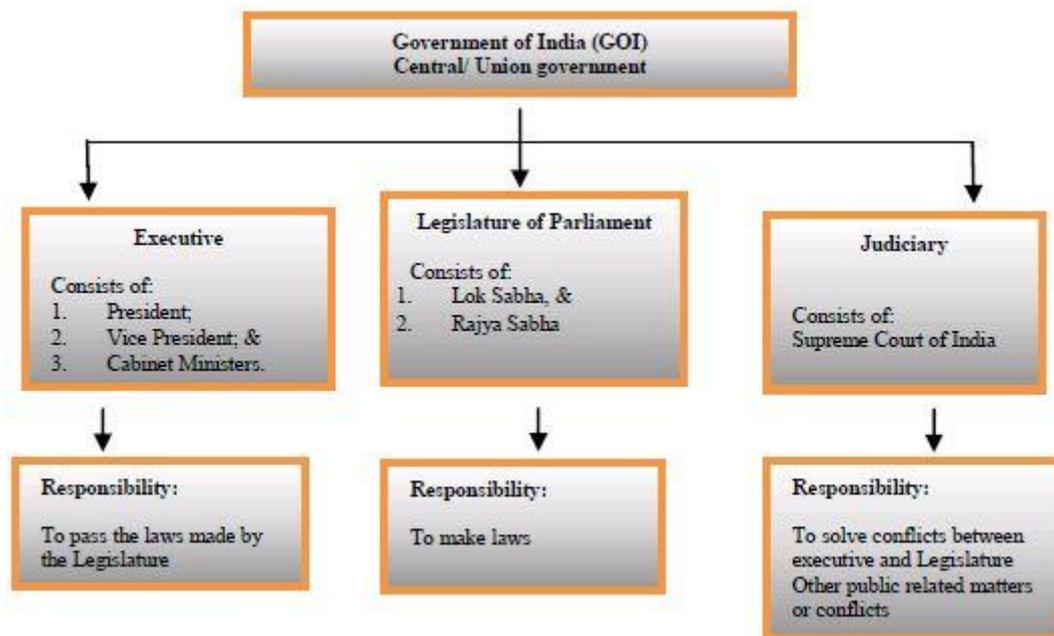


Diagram of three pillars of Govt.

The political and environment exerts its influence on business through the following:

- Political and ideological postures that underlie defence and strategic positions, have a bearing on business moves vis-à-vis trade pacts, inimical terms with certain countries that restrict scope for trade and economic relations, negative features of international trade that impinge on business initiatives, and regional alliances that foster mutual cooperation and development.
- Internal strife by aggrieved sections of society that hamper economic activity and development in certain parts of the country; controversial and destabilizing issues can divide society on the lines of caste, sex or religion,

thus disrupting normal life, bringing economic activity to a virtual halt and causing civil unrest and loss of national property.

- Political philosophies that stabilize or disrupt economic progress, disbalance the stock markets, encourage nepotism and graft, tolerate bureaucratic inefficiency, foster a nexus between politicians and bureaucrats, and seriously erode the moral fabric of the nation.
- Reaction times of the three pillars of democracy as regards the need to address burning (and long pending) issues crippling progress across various fronts including social justice, public health, poverty eradication, employment generation and rise in the standard of living of the people of the Republic.
- Foreign policy initiatives that strengthen the nation, hold out hope for betterment of the common man, instil a sense of national pride in citizens, and project a positive image of the country and its leadership to other nations of the world. It goes without saying that policies and decisions of the government should encourage business by creating conditions that act as a tonic for the tired economic system, instead of enacting illogical laws and imposing conditions that act as barriers to progress.

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