



POLITICAL FACTORS AFFECTING BUSINESS

Mitali Paktekar

Karina Shirsekar

Siddhesh Mundhe

Chikitsak Samuha's Patkar Varde College .University of Mumbai

Abstract

Purpose:-

This paper targets to provide a descriptive analysis of quite a number of authorities plans and policies that have an impact on business, Area where government plays a major role and how it affects trade practices.

Methodology:

- This research is based on primary and secondary data collected through various sources Primary data is collected through medium of Google form Covering citizen of India , to know their opinion on changes in political policies affecting business and their knowledge on recent changes.
- Secondary data is collected through information available on various search engines

Finding:-

- To learn what function the government performs in the commercial sector.
- To determine if policy changes have a good or negative impact.
- To comprehend the value of government intervention in promoting economic growth.
- the public's perception of recent government-introduced improvements .

Contribution :-

- The main objective of this research is to investigate the impacts of governmental involvement in company activity.
- To thoroughly study a few of the good and bad aspects of governmental regulation of company activities and how they impact economic growth.
- For both the general public and corporate organisations, this study can serve as a source of knowledge.

Key words :-

- Tax insurance plan design, Foreign trade rules, Tariffs ,Consumer protection laws , custom duty , policies introduced for start-ups

INTRODUCTION

India as a quick developing country that has additionally rank and because the world's biggest democracy. In latest year , India with biggest populace has visible a lift in monetary increase . There are sure elements that have an effect on the enterprise including political interference. Lets recognize what's political interference in enterprise can have an effect on the enterprise . The political elements affecting enterprise has usually been a subject of discussion. It is critical that each company observe the legal guidelines and policies implemented via way of means of the government. Management ought to hold themselves up to date with the modifications as to make important modifications in there paintings coverage. Companies ought to be organized to cope with the effects of the rules each nearby and properly as at global level.

Political changes can have an affect on an industrial employer with the aid of making it greater or a lot less outstanding to the corporation environment. These elements have direct as acceptable as oblique effect on commercial enterprise operations

Political elements affecting organization environment

- **Tax insurance plan design (tax costs and incentives)**

The government keeps tabs on taxes. It is gathered to cover government costs for things like defence, healthcare, and economic development. Directly and indirectly, businesses and individuals pay taxes. For small business taxes act as burden that directly impacts there business operation

Direct tax :Direct taxes are progressive in nature, as opposed to indirect taxes, which are levied on income. It is subtracted from both individual and corporate profits. The tax rate increases with income or profit.

Indirect tax: In the simplest terms, this is a tax on spending. In order to collect money for the government, businesses add indirect tax to the price of goods and services. Since indirect taxes are regressive in nature, all individuals are subject to the same tax rates regardless of their income. The example of the GST is "one nation, one tax." is the example of indirect tax which came into effect on 1st July 2017. There are few special economic zones which are exempt from taxes.

- **Tariffs**

Imported goods are subject to tariffs in order to make them more expensive than domestic products. Which indirectly discourages imports as well? This provides domestic businesses with a secure and protective environment. It is difficult for foreign importers to sell their products in domestic markets. Tariff is a tax which is charged on imported foreign products . It act as a barrier for foreign traders . Tariff has directly benefited domestic producers . The price is ultimately paid by the domestic consumers and not the exporting company. Tariffs increases revenue and competition in domestic markets but it disappoint the consumers as they need to pay more price for there products they want to buy

• Foreign trade rules

To shield its domestic sector from outside rivals, some countries would impose stringent regulations on international trade. It might also entail taxing imported items and providing subsidies for home grown goods. The nation may also want to increase foreign investment and pursue a "open trade policy" on the other hand. Trade expansion can help a country's economy grow .Although domestic manufacturers might want more restrictive import laws.

• Consumer protection laws

The growing affiliation of the world monetary machine and intercontinental attributes of many agency practices have contributed to value of customers ideal and security There is no doubt that advanced and present day technology have contributed to the incredible and safety of proper and offerings provided. Then too, some the place customers are make the most in greater than a few approaches such as :- adulteration of food , the utilization of hazardous chemical compounds , bad quality, hazardous products, terrible services , black marketing .

Government meddling in business has negative effects

• Governing failure

This phrase refers to how difficulties might result from government meddling. Short-term decisions made by the government may have unfavourable outcomes. As an illustration, imposing tariffs to safeguard domestic producers and various trade restrictions may result in a trade war between economies that are declining.

• Insufficient incentives

In the private sector, people are motivated by profit and cost-cutting, but in the public sector, this is not the case. So, it could result in production that is incompetent. As an illustration, mass production that is not marketable

• lesser variety

The consumer may have fewer options if industries are nationalised. Because the government has the capacity to make decisions, people in a centrally planned economy frequently have relatively few options.

Benefits of government intervention

Government intervention's advantages

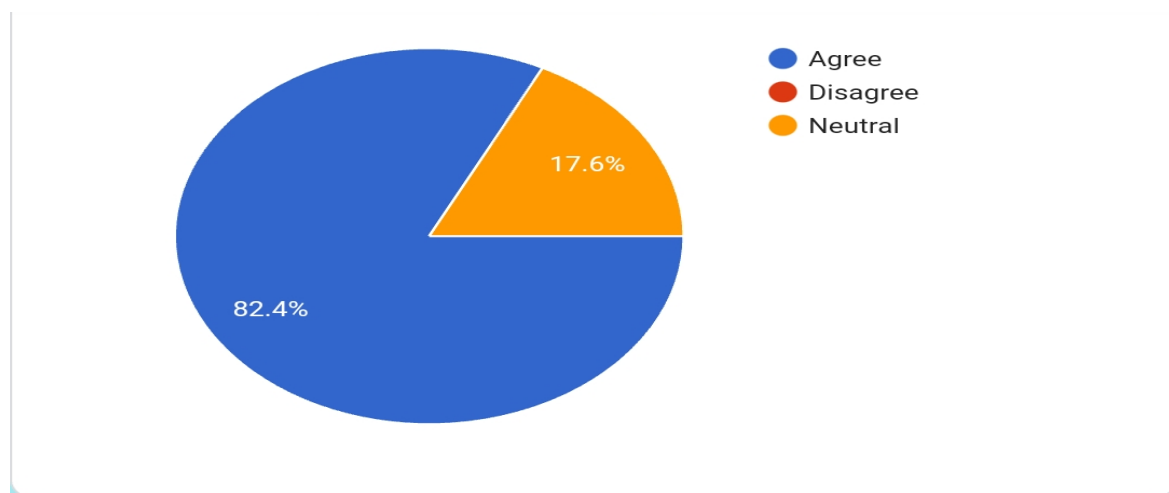
• The public sector provides free or inexpensive access to basics including healthcare, education, and other requirements. so that the proper care is provided and nobody dies due to an inability to finance it. Consumers, workers, and the environment can be protected by governmental rules and laws. Economic system based on orders Price determination is done by government organisations. Consumers are not taken

advantage of by increasing costs since goods will be made available at a cost decided by government officials. This will result in lower inflation.

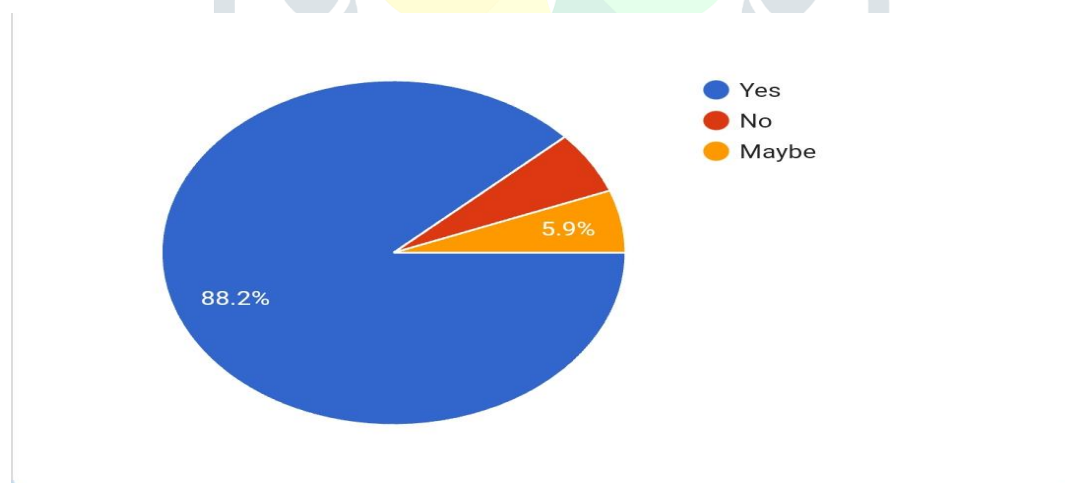
- The possibility of corruption will decrease. Considering that all aspects of the economy are completely under the authority of the government.
- Make sure that you have a stable employment, which will aid in reducing the poverty rate.
- Aid companies in selecting investment

DATA ANALYSIS :

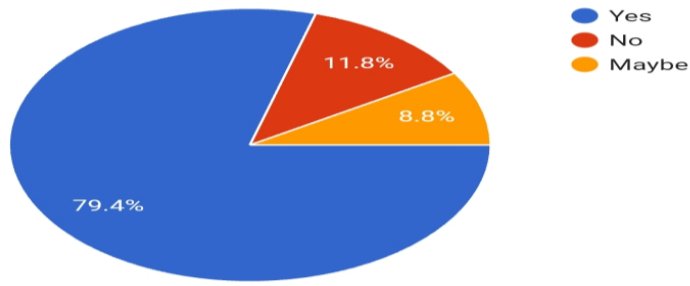
The government should assist corporations in increasing employment ?



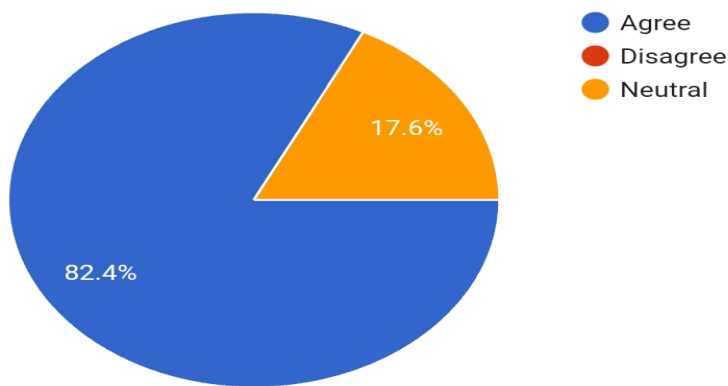
Do you think Chinese apps banned created new space for Indian start-ups ?



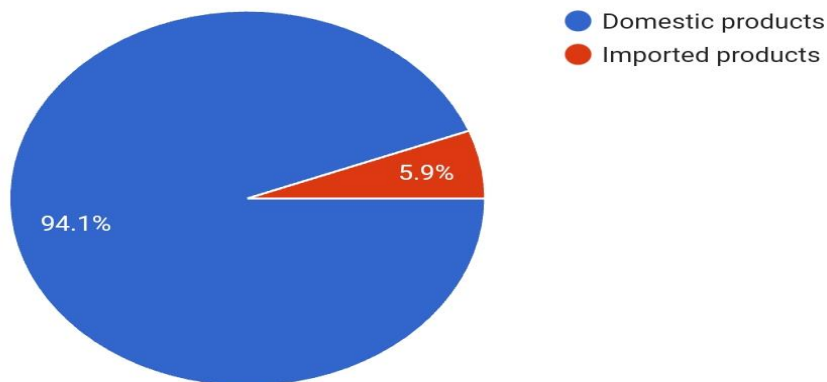
Are you aware of consumers protection laws ?



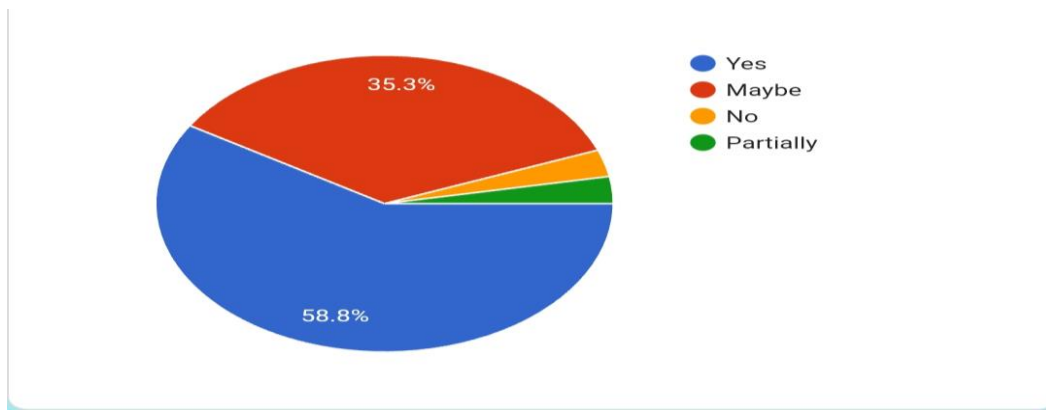
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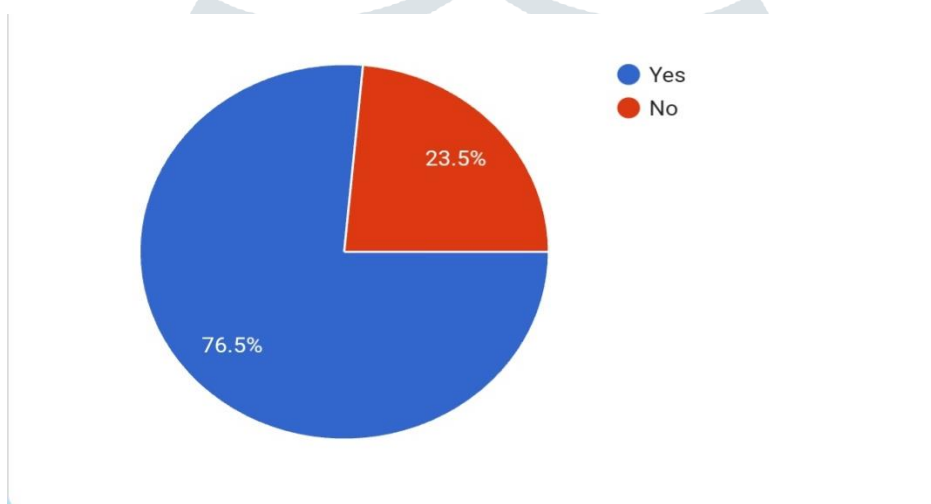
Which products do you prefer to buy most ?



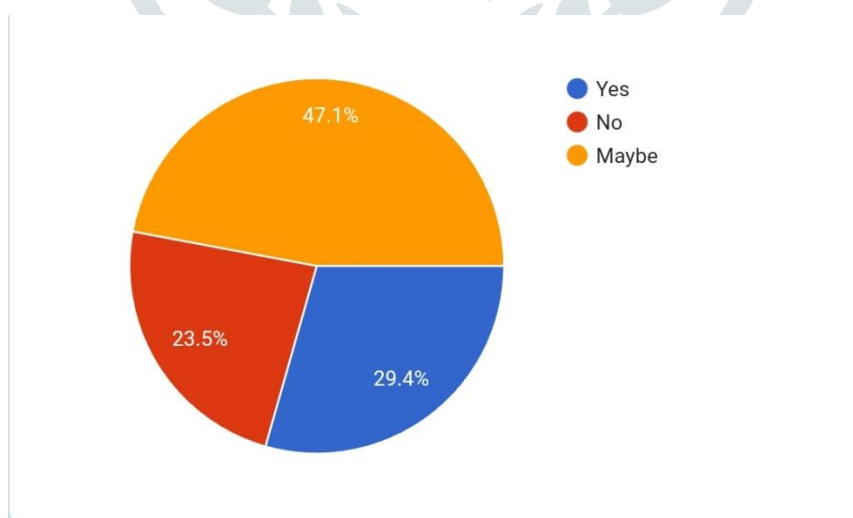
Are you aware of laws and regulations implemented by government on business practices?



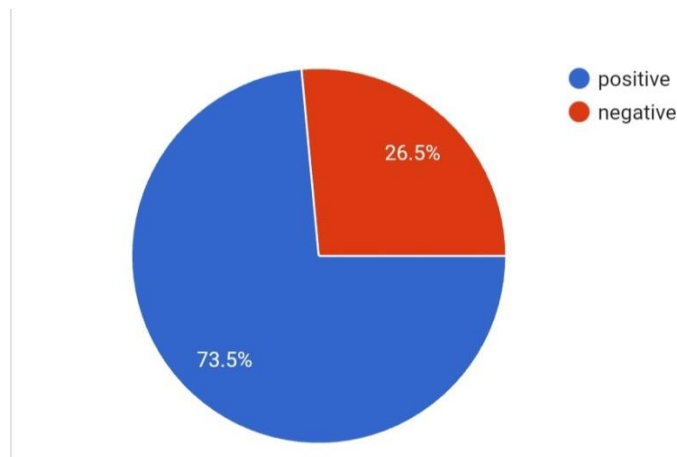
Do you think business must proactively engage with government ?



Do you think impose of custom duty have a negative effect on foreign trade?



Do, government interference in business have positive or negative effect on economy ?



The majority of people think that government interference in businesses has a positive effect on the economy and the tax and rules favor the businessman so it's beneficial for everybody and also the Majority of the people. are aware of the customs laws and regulations but for those who don't know this government should hold an awareness program for them.

HYPOTHESIS :

H0:- Changes in government policies have negatively affected business

H1: Changes in government policies have not affected business (Negatively).

H0 :- Impose of custome duty adversely affected international trade .

H1 :- Impose of custome duty does not affect international trade.

H0 :- Increase in tax rates on goods and services contributes towards balance economy

H1: Increase in tax rates does not contributes towards economic growth

REVIEW OF LITERATURE

According to Walter (2014), the risk arising from a business's political environment is a measure of the possibility that political events may make it more difficult for it to pursue profits through direct consequences (such taxes or expenses) or unintended effects (such as opportunity cost forgone). Political risk therefore resembles an expected value in that the possibility of a political event occurring may make an investment less desirable by lowering the expected returns. Even more so, there are political dangers or occurrences brought on by nongovernmental elements, which are not within the control of the government.

Political risks induced by the government constitute some laws directed against foreign firms. Some government-induced risks are very drastic. There are expropriation, confiscation and domestication (**Auster & Choo, 1993**).

Political risks like arms conflicts, insurrection may affect all firms in the country equally. For that reason they are called macro political risks. Unlike, nationalization, strikes, expropriation may affect only a handful and specific firm, and they are named micro political risks (**Griffen, 2005; Andoh, 2007**).

Methodology :

This study paper illustrates how political meddling affects the working environment of businesses. This study is based on secondary data gathered from a variety of journals and research papers as well as primary data gathered from an online survey form. This survey aids in understanding public opinion regarding alterations to tax rates and other laws and regulations imposed by the government.

Through this study, we learn that government intervention is significant in the business world, but only to a limited extent because too much control will negatively impact organisation operation.

Conclusion:

Due to the breakdown of the markets, government has a duty in the economy. Convexity is produced by taxes imposed by the government, which lowers economic efficiency. Increased tax rates might also hurt the economy since they will result in less money coming in. Government should concentrate on developing areas like infrastructure, information, and technology. The goal of government intervention in the market is to reduce the monopoly's unprofessional behaviour. The intention is to protect consumers from the supplied items. Therefore, government intervention is crucial to restoring market equality. The government's meddling must adapt to the new demands of the contemporary economic environment.

Limitation

Because only a small portion of the population is covered by this research's results, it serves as a barrier in the findings by focusing on gathering primary data on people's opinions about changing government policies regarding businesses and tax rates on goods and services and what impact they had on their daily lives..

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