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## **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 globalisation, 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.

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### **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:

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.

### **REVIEW OF LITERATURE**

Zvirbule and Vilka(2012,p44-46 ) stated that the social indicators may underlie economic development success and they have also identified the importance of socio-economic factors i.e. demographic patterns, size of population, population growth rate, family size, age composition, beliefs and values, tastes and preferences and education.

India is a country with heterogeneous culture and it is complicated for a marketer to identify common threads of Indian culture and core values (Banerjee, 2008).

There is general agreement among experts that socio-cultural influence on the personality and general behaviour of people in India is very strong (Shivani et al., 2006).

Kingdom et al (2004) show that there were encouraging gains in literacy and school attendance in the 1990s. Gender gaps in education fell.

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Bloom et al (2001), Bloom and Williamson (1998), among others, show a positive relationship between the growth rate of the share of the working age population and economic growth.

Lloyd and Duffy (1995) believe that families are becoming more dispersed. Young and older adults, spouses, and other relatives who might otherwise have shared a home are now more likely to live apart.

The declining ability of men to earn a ‘family wage’ along with the growing need for cash for family maintenance has resulted in an increasing number of female members (particularly the wife) in the family engaging in economic activities (Lloyd & Duffy, 1995).

The increase in female headed households could be due to variety of reasons including widowhood, migration, non-marital fertility and marital instability (Bruce and Lloyd, 1992).

The Census of India has defined family structure as single member, nuclear, broken nuclear, supplemented nuclear and joint families (Charkravorty and Singh, 1991).

## **OBJECTIVES OF THE STUDY**

1. To explore the changing socio-economic environment in India.
2. To study the impact of changing socio-economic environment on business in India.

## **RESEARCH METHODOLOGY**

This current study has been exploratory in nature where pertinent information has been gathered from various secondary sources of data, such as, journals, books, websites, Government of India reports, etc.

## **SOCIO-CULTURAL ELEMENTS IN INDIA**

### **1. Social Institutions**

Social institutions refer to set-ups like family, school etc which are essential to maintain the orderly arrangement of social structure. There are five kinds of social institutions, namely, *1.Family, 2.Economics, 3.Religion, 4.Education, 5.State.*

There are also a number of secondary institutions which are derived from each of these primary institutions.

The secondary institutions derived from family are marriage, divorce, monogamy, etc. The secondary institutions of economics are property, trading, credit banking, etc. The secondary institutions of religion are church, temple, etc. The secondary institutions of education are school, college, university, etc. The secondary institutions of state are interest groups, party system, democracy etc.

All institutions face the problem of continuously adjusting themselves to the changing society. Changes in the social environment may bring about changes in all social institutions. For example, **Inflation** may have a great influence on marriage, death, crime and education. Breakdown of economic institutions may have radical effects upon political institutions.

### **2. Social Systems**

The concept of social system is closely related to the concept of social structure which is the means through which a social system functions. The main elements of social system are: 1.Belief (knowledge), 2.Sentiment, 3.End, Goal or Objective, 4.Norms, 5.Status, 6.Power, 7.Facility.

### **3. Social Values And Attitudes**

Changing social values are beginning to question the basics of the age old social institutions and systems. Customs, traditions and conventions are not rigid anymore. Views towards authority, responsibility and delegation, attitudes towards business as a profession, views towards achievements and work, are all undergoing rapid changes. The MNCs take special care of the social values and attitudes in a particular economy while planning their entry therein.

Example of PEPSI: Social factors greatly impact Pepsi, as it's a non-alcoholic beverage; it has to remain in line with the strict and stark differences of cultures the world over. Also, Pepsi has to communicate its image as a global brand so that the people can associate it with themselves as

something that connects the world together. Usually, the social implications are seen in marketing campaigns, for example, certain countries have religious festivals, so Pepsi has to keep in line with all those festivals in order to understand the psyche of their market and how they can cash upon the opportunity.

#### **4. Social Responsibility of The Government**

Growing levels of achievement and aspiration have to be bridged through a continuous and relentless social effort, keeping in view the social welfare and social constraints. This is where the role of the government comes in. The government has to make sure that the social progress is not handicapped by the tyranny of the majority; otherwise, social tensions will affect business unfavourably.

#### **5. Social Responsibility of Business**

Social responsibility of business refers to the obligation of the business enterprises to decide on policies and plans of action in the social interest and for social good. Social responsibilities of business have to be considered with particular reference to responsibilities towards shareholders, employees, consumers, the government, and public at large.

The businessman should promote civic amenities and help create better living conditions as well as help in making people law abiding, improve the administration of municipal and industrial affairs. More than that, businessmen to be set up socially desirable standards of living for themselves, avoid ostentations, wasteful expenditure in weddings, festivals, and parties.

The social responsibilities of business in India also require businessmen to give a fair deal to customers in terms of price and quality, ensure availability of products, and avoid unfair trade practices. They should not mislead the consumer and community by untruthful advertisements

Their responsibility towards employees is also defined scrupulously so as to promote co-operative spirit, provide fair wages and promotion and pursue a progressive labour policy.

Similarly, their responsibility towards the state has been elaborated with respect to payment of taxes and against buying political support and corrupting public servants.

### **CASE OF ASIAN PAINTS**

It approaches corporate social responsibility from the perspective of being a responsible corporate citizen. The company has identified projects across all its manufacturing locations in the country primarily in the areas of education, healthcare and rain harvesting.

#### **Example of Glaxo Smith Kline Pharma**

Corporate social responsibility continues to be an integral part of GSK's business. It makes a contribution to society through medicine donations, conducting healthcare awareness programmes and community development. The uniqueness of GSKs social initiatives lies in the development of self reliance by tackling issues through the involvement of the beneficiaries themselves. While selecting projects, priority is given to those which contribute to healthcare, especially of women and children.

### **IMPACT OF SOCIO-ECONOMIC CHANGES ON BUSINESS ENVIRONMENT**

Socio-economic environment differs from country to country and also from place to place within the same country or region. It may also change significantly over time. 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 country where the population growth rate is high, children constitute a large section of population resulting in more demand for baby products.

The increase in the size of population with middle and high income group has resulted in increased demand for consumer goods, both durable and non durable, as in the case of India where demand for automobiles, branded ready-made garments, electronic products, home appliances, etc. has increased manifold.

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. When the population is large, even if the country is poor, there could be a sizeable market even for those goods and services which are regarded luxuries in these countries. For example, if just five percent of the Indian population is well to do, the absolute number is larger than the total population of many of the high income economies.

YEAR	1951	1961	1971	1981	1991	2001	2011
POPULATION(in millions)	361.09	439.23	548.16	683.33	846.42	1028.74	1210.19

*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. Many companies in the developed countries have relocated their production facilities, wholly or partially, in the developing countries to reduce the labour costs.

India has more than 50% of its population below the age of 25 and more than 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 educated parents believe in having not more than two kids. The less number of siblings, increasing number of nuclear families and both parents working give power to kids like never before. The present day parents have money for their kids but no time and as a result of this kids present have more self-sufficiency and influencing power in the family purchase decisions than in the earlier times.

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. The increasing proportion of the aged would have implications for the governments. It may increase the welfare burden of the government. Similarly, if there is a huge increase in the population of young people then companies will focus more on the production of products which are essentials for young population, for example, fashion, cosmetics, readymade garments etc.

In the modern era of 21<sup>st</sup> 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.

YEAR	1971	1981	1991	2001	2011
BIRTH RATE	36.9	33.9	29.5	24.28	20.22

*Source: Registrar General of India.*

### **Urbanization**

India continuous to have a predominantly rural population though the proportion of people living in urban areas has progressively increased since 1951. The increase in urbanisation 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.

**India’s Urban Population to Total Population**

<b>YEAR</b>	1951	1961	1971	1981	1991	2001	2011
<b>URBAN POPULATION(in %age)</b>	17.29	17.97	19.91	23.34	25.71	27.8	31.16

*Source: Office of the Registrar General of India.*

<b>YEAR</b>	<b>RURAL POPULATION (in millions)</b>	<b>URBAN POPULATION(in millions)</b>
1951	298.7	62.4
1961	360.3	78.9
1971	439.1	109.1
1981	523.9	159.4
1991	628.7	217.6
2001	740.4	287.6
2011	833	377.1

*Source: Office of the Registrar General of India.*

**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.

<b>YEAR</b>	1971	1981	1991	2001	2011
<b>URBAN WOMEN IN WORKPORCE</b>	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**

<b>YEAR</b>	<b>UNIVERSITIES</b>	<b>COLLEGES</b>
1971	103	3605
1981	133	4722
1991	190	7346
2001	256	12806
2012	659	33023

*Source: AICTE, UGC, Planning Commission.*

In 1971, there were 103 universities and 3605 colleges in our country. It increased to 256 universities and 12806 colleges in the year 2001. In 2012, number of universities was 659 and colleges were 33023 in India.

**LITERACY RATE BY SEX - INDIA : 1951 TO 2011**

<b>Census Year</b>	<b>Persons</b>	<b>Males</b>	<b>Females</b>
<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>
1951	18.33	27.16	8.86
1961	28.30	40.40	15.35
1971	34.45	45.96	21.97
1981	43.57	56.38	29.76
1991	52.21	64.13	39.29
2001	64.84	75.26	53.67
2011	74.04	82.14	65.46

*Source: Office of the Registrar General, India.*

The rate of literacy in India in 1951 was 18.33%. It has been improved with the time and in 2011, it was 74.04%.

### 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. Women are now at par if not better than men in financial terms and do not feel the need to depend on their husbands for their financial needs. Men are also good with their domestic responsibilities and do not need to depend on women for the same.

YEAR	DIVORCE RATE
1990	7.4%
2011	10%

*Source: Source: National Sample Survey Office.*

## SOME SOCIAL ISSUES IN INDIA

### Fundamentalism

**Fundamentalism** refers to a belief in a strict adherence to specific set of theological doctrines typically in reaction against what are perceived as modern heresies of secularism. Fundamentalism is found in all religions from Christian to Islam to Hinduism.

### Religion in India

India is the land of many religions like Hinduism, Islam, Christianity, Buddhism, Jainism and Sikhism. The Constitution of India declares the nation to be a secular republic that must uphold the right of citizens to freely worship and propagate any religion or faith. It also declares the right to freedom of religion as a fundamental right.

Religious group ↕	Population % 1951 ↕	Population % 1961 ↕	Population % 1971 ↕	Population % 1981 ↕	Population % 1991 ↕	Population % 2001 ↕	Population % 2011 ↕
Hindu	85%	83.45%	82.73%	82.30%	81.53%	80.46%	79.6%
Muslim	9.9%	10.69%	11.21%	11.75%	12.61%	13.43%	14.2%
Christian	2%	2.44%	2.60%	2.44%	2.32%	2.34%	2.34%
Sikh	1.79%	1.79%	1.89%	1.92%	1.94%	1.87%	1.87%
Buddhist	0.74%	0.74%	0.70%	0.70%	0.77%	0.77%	0.77%
Jain	0.46%	0.46%	0.48%	0.47%	0.40%	0.41%	0.41%
Parsi	0.13%	0.09%	0.09%	0.09%	0.08%	0.06%	0.06%
Animist, others	0.43%	0.43%	0.41%	0.42%	0.44%	0.72%	0.72%

*Source: Census of India, Office of the Registrar General, India.*

### Caste System and Violence

The Indian caste system describes the system of social stratification and social restrictions in which social classes are defined by thousands of endogamous hereditary groups, often termed jātis or castes. There are four main stratas – Brahmins, Kshatriyas, Vaishyas and Shudras, Dalits comprise the fifth strata. This can led to segregation of the Indian Society in terms of many castes but less Indians.

Caste is one among the major factors in politics of India. In 1979, the Mandal Commission was established to identify the socially and educationally backward population of India. In 1989, when the

central government tried to implement the recommendations of Mandal Commission, huge protests were held in the country.

In Tamil Nadu, DMK party rose to power under the canard of "Brahmin oppression". In 1990s, many parties BSP, SP and Janata Dal started claiming that they are representing the backward castes.

In 2006, Late Sh. Arjun Singh, the then HRD Minister was accused of playing caste politics when he introduced reservations for OBCs in educational institutions all around in the country.

### **Regionalism**

India is a mini-continent in itself. It is a country of diverse cultures spread over various regions from North to South and West to East. Regionalistic aspirations often lead to various socio-political issues. Regions like Uttarakhand, Chhatisgarh and Jharkhand accused their respective state governments of UP, MP and Bihar of draining out their resources and not investing back much for their development. Hence, these states were born in 2002. Similar demands have been emerging from regions like Telengana, Vidharba, Bundelkhand, Darjeeling, etc.

### **Terrorism**

Terrorism can be defined as “the calculated use of unlawful violence or threat of unlawful violence to inculcate fear; intended to coerce or to intimidate governments or societies in the pursuit of goals that are generally political, religious, or ideological.” Within this definition, there are three key elements—violence, fear, and intimidation—and each element produces terror in its victims.

#### ***Some Causes of Terrorism***

1. Strategic
2. Individual or psychological
3. Sociological
4. Religious

### **Naxalism**

The lack of development in regions of central and east India which is a major tribal belt has given rise to Naxalism. Naxalites, Naxals or Naksalvadis are a group of far-left radical communists, supportive of Maoist political sentiment and ideology. The term Naxalites comes from Naxalbari, a small village in West Bengal, where a section of the CPM initiated a violent uprising in 1967.

Naxalism is not just a law and order problem. Often, the problem relates to genuine grievances of the rural poor which include land alienation and land distribution, poor remuneration for forest produce, exploitation by government officials as well as contractors and mindless prosecution for petty forest offences, unemployment.

### **CONCLUSIONS**

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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