

ELEMENTS OF MACRO ENVIRONMENT

Macro environment is that part of external environment which is largely external to the enterprise and thus beyond the direct influence and control of the organization, but which exerts powerful influence over its functioning. The external environment of the enterprise consists of individuals, groups, agencies, organizations, events, conditions and forces with which the organization comes into frequent contact in the course of its functioning. It establishes interacting and interdependent relations, conducts transactions, designs and administers appropriate strategies and policies to cope with fluctuations therein and otherwise negotiates its way into the future.

Elements of Macro Environment

Demographic Environment

The term demographics denotes characteristics of population in a area, district, country or in the world. Data with respect to these factors within a demographic variable, and across households, are of interest, to businessmen in addition to economists. Marketers and other social scientists often group populations into categories based on demographic variables.

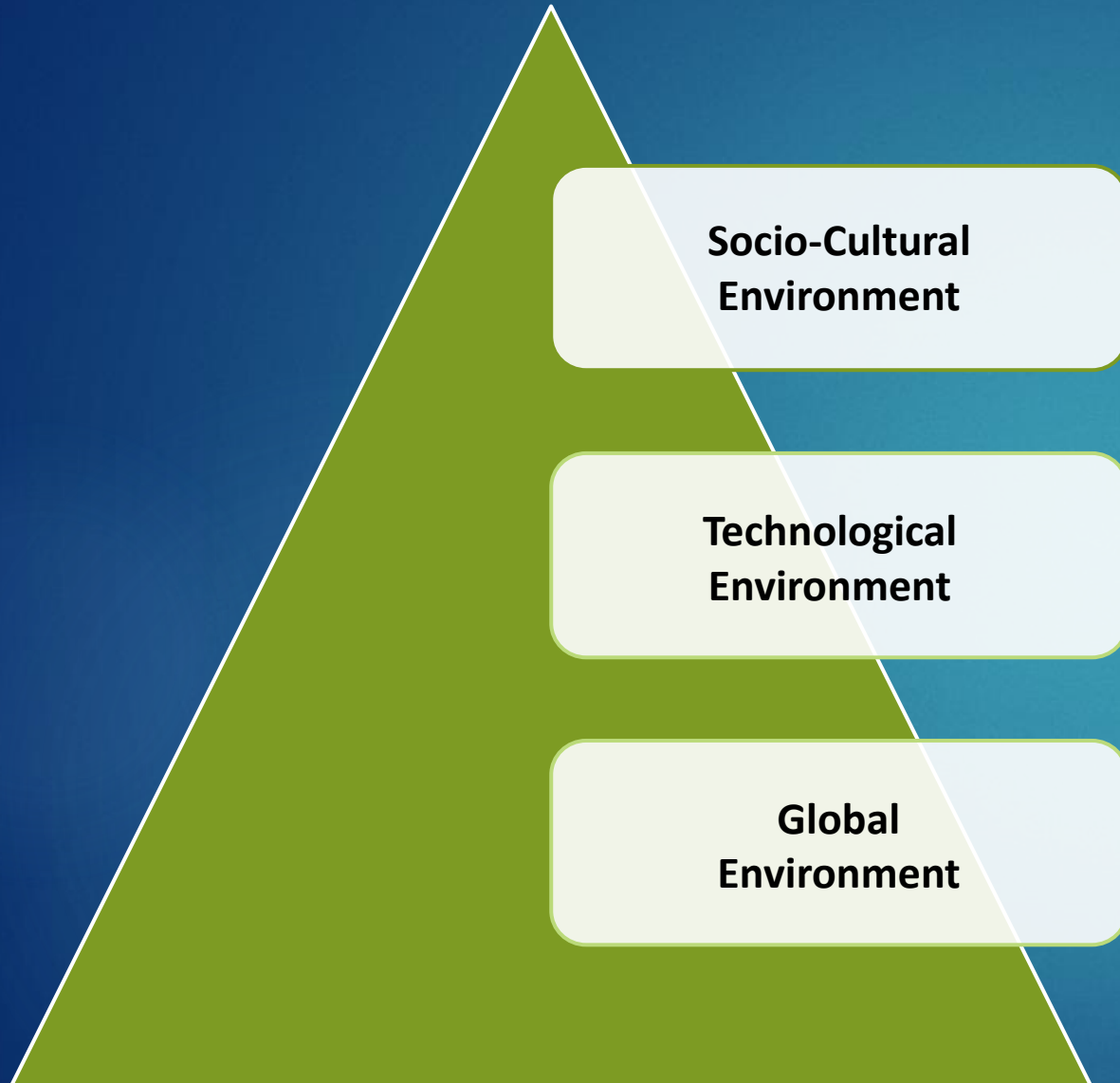
Economic Environment

Economic environment refers to the nature and direction of the economy in which a company competes or may compete. Economic environment determines the strength and size of the market. The purchasing power in an economy depends on current income, prices, savings, circulation of money, debt and credit availability.

Political-Legal Environment

This is partly general to all similar enterprises and partly specific to an individual enterprise. It includes such factors as the general state of political development, the degree of politicization of business and economic issues, the level of political morality, the law and order situation, political stability and so on.

Elements of Macro Environment



Socio-cultural environment consists of factors related to human relationships and the impact of social attitudes and cultural values which has bearing on the operations of the organization. The beliefs, values and norms of a society determine how individuals and organizations should be interrelated. The core beliefs of a particular society tend to be persistent.

The most important factor, which is controlling and changing people's life, is technology. Technology has changed the way people communicate with the advent of Internet and telecommunication system. Technology has changed the ways of how business operates now. This is leading to many new business opportunities as well as making obsolete many existing systems.

Today's competitive landscape requires that companies must analyse global environment as it is also rapidly changing. The concept of global village has changed how individuals and organizations relate to each other. Due to economic reforms, the Indian firms are also out to see beyond the physical boundaries of the country. They are acquiring businesses in different countries.

Factors of Demographic Environment

Population Size

While population size itself, large or small, may be important to companies that require a "critical mass" of potential customers, changes in the specific make-up of a population's size may have even more critical implications.

Population shifts from one region of a nation to another or from nonmetropolitan to metropolitan areas may have an impact on a company's strategic competitiveness.

Geographic Distribution

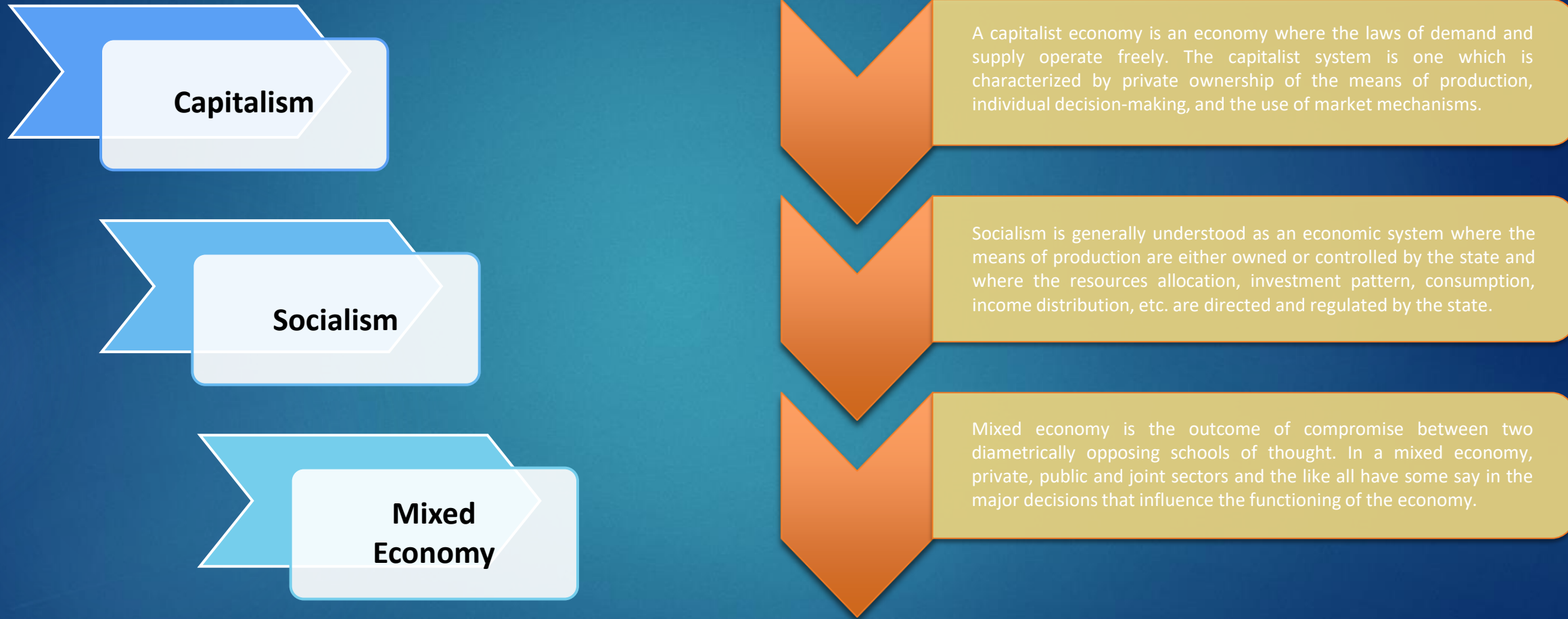
Ethnic Mix

This reflects the changes in the ethnic make-up of a population and has implications both for a company's potential customers and for the workforce.

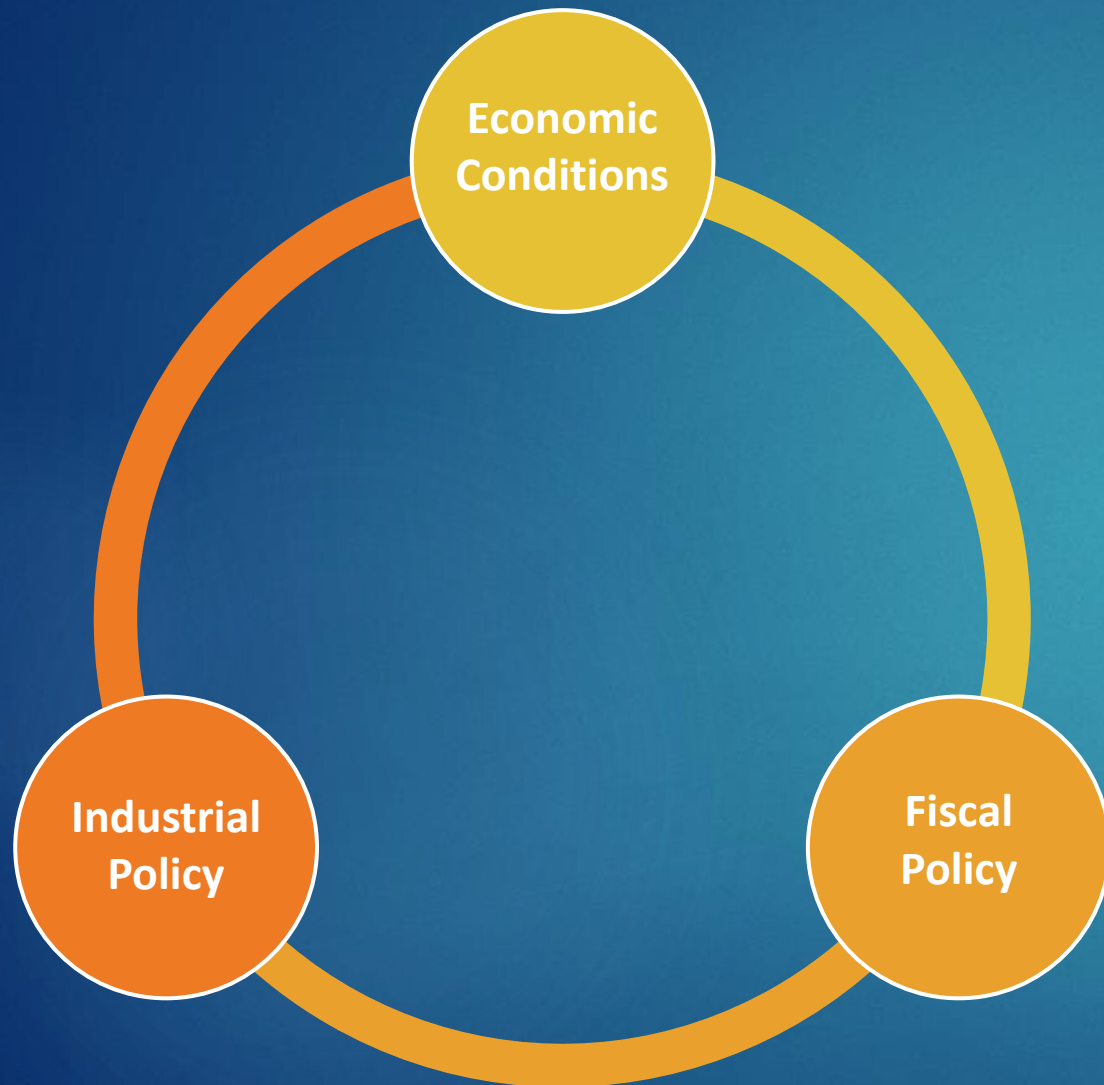
Changes in income distribution are important because changes in the levels of individual and group purchasing power and discretionary income often result in changes in spending (consumption) and savings patterns.

Income Distribution

Factors That Affect Economic Environment



Factors That Affect Economic Environment



The economic conditions of a nation refer to a set of economic factors that have great influence on business organizations and their operations. These include gross domestic product, per capita income, markets for goods and services, availability of capital, foreign exchange reserve etc.

The Industrial policy of the government covers all those principles, policies, rules, regulations and procedures, which direct and control the industrial enterprises of the country and shape the pattern of industrial development.

Fiscal policy includes government policy in respect of public expenditure, taxation and public debt.

Factors That Affect Economic Environment

Monetary Policy



Foreign Investment Policy



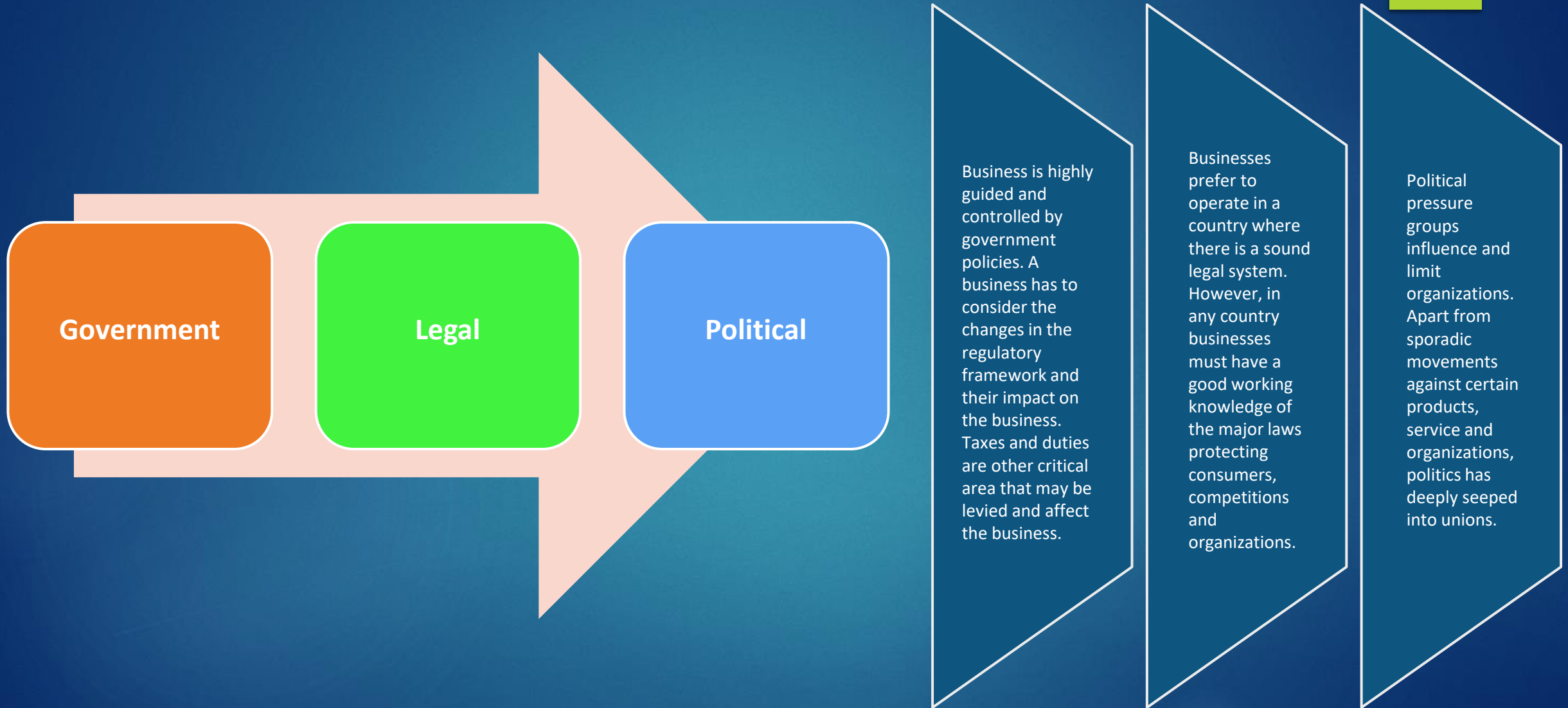
**Export–Import Policy
(Exim Policy)**

Monetary policy includes all those activities and interventions that aim at smooth supply of credit to the business and a boost to trade and industry.

Foreign investment policy aims at regulating the inflow of foreign investment in various sectors for speeding up industrial development and take advantage of the modern technology.

It aims at increasing exports and bridge the gap between export and import. Through this policy, the government announces various duties/levies. The focus now-a-days lies on removing barriers and controls and lowering the custom duties.

Important Elements In Political-Legal Environment



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