**Indian Political Environment & System**

**The political environment refers to the actions taken by the government, which potentially affect the daily business activities of any business or company.** According to the Law Dictionary, such actions occur on a local or international scale depending on the governmental institution's authority. When a political institution passes a new law, businesses must consider the impact it will have on their operations. In some instances, companies may need to develop new strategies or processes to comply with initiatives imposed through legislative laws.

The political environment of business refers to the political or government actions that impact business operations. The political factors usually go hand in hand with the legal ones and are generally viewed as the non-market forces that impact businesses. Political decisions ultimately affect the economic, social and cultural environments as a whole.

The political environment can be studied in terms of the central government, the citizens of a country, rules, and regulations or international relations. Examples of political factors related to the central government of a country are levels of bureaucracy, corruption, and government stability. A culture of corruption in a country stifles business operation by creating an unlevel playing field where corrupt individuals are more empowered to advance their business goals than their non-corrupt counterparts. A highly unstable government is unable to offer businessmen the security they need to trade peacefully, hence a highly volatile trading environment. Examples of political factors tied to international relations are policies on trade tariffs, policies on importation and exportation of goods and services and international trade agreements.

The political factors affecting business are often given a lot of importance. Several aspects of government policy can affect business. All firms must follow the law. Managers must find how upcoming legislations can affect their activities.

The political environment can impact business organizations in many ways. It could add a risk factor and lead to a major loss. You should understand that the political factors have the power to change results. It can also affect government policies at local to federal level. Companies should be ready to deal with the local and international outcomes of politics.

Changes in the government policy make up the political factors. The change can be economic, legal or social. It could also be a mix of these factors.

Increase or decrease in tax could be an example of a political element. Your government might increase taxes for some companies and lower it for others. The decision will have a direct effect on your businesses. So, you must always stay up-to-date with such political factors. Government interventions like shifts in interest rate can have an effect on the demand patterns of company.

**Certain factors create Inter-linkages in many ways. Some examples are:**

* Political decisions affect the economic environment.
* Political decisions influence the country’s socio-cultural environment.
* Politicians can influence the rate of emergence of new technologies.
* Politicians can influence acceptance of new technologies.

The political environment is perhaps among the least predictable elements in the business environment. A cyclical political environment develops, as democratic governments have to pursue re-election every few years. This external element of business includes the effects of pressure groups. Pressure groups tend to change government policies.

As political systems in different areas vary, the political impact differs. The country’s population democratically elects open government system. In totalitarian systems, government’s power derives from a select group.

Corruption is a barrier to economic development for many countries. Some firms survive and grow by offering bribes to government officials. The success and growth of these companies are not based on the value they offer to consumers.

Below, is a list of political factors affecting business:

* Bureaucracy
* Corruption level
* Freedom of the press
* Tariffs (Taxes on import and export of goods)
* Trade control
* Education Law
* Anti-trust law
* Employment law
* Discrimination law
* Data protection law
* Environmental Law
* Health and safety law
* Competition regulation (MRTP Act)
* Regulation and deregulation
* Tax policy (tax rates and incentives)
* Government stability and related changes
* Government involvement in trade unions and agreements
* Import restrictions on quality and quantity of product
* Intellectual property law (Copyright, patents)
* Consumer protection and e-commerce
* Laws that regulate environment pollution

There are 4 main effects of these political factors on business organizations. They are:

1. Impact on economy
2. Changes in regulation
3. Political stability
4. Mitigation of risk

**a. Impact on economy**

The political situation of a country affects its economic setting. The economic environment affects the business performance. For example, there are major differences in Democratic and Republican policies in the US. This influences factors like taxes and government spending, which ultimately affect the economy. A greater level of government spending often stimulates the economy.

**b. Changes in regulation**

Governments could alter their rules and regulations. This could in turn influence a business. After the accounting scandals of the early 21st century, the US SEC became more attentive on corporate compliance. The government introduced the Sarbanes-Oxley compliance regulations of 2002. This was a reaction to the social environment. The social environment urged a change to make public companies more liable.

**c. Political Stability**

Lack of political stability in a country effects business operation. This is especially true for the companies which operate internationally. For example, an aggressive takeover could overthrow a government. This could lead to riots, looting and general disorder in the environment. These disrupt business operations. Sri Lanka was in a similar state during a civil war. Egypt and Syria faced disturbances too.

**d. Mitigation of Risk**

Buying political risk insurance is a way to manage political risk. Companies that have international operations use such insurance to reduce their risk exposure.

There are some indices that give an idea of the risk exposure in certain countries. Following are a few examples of the disputes which are often referred to courts for settlement and the verdicts are sought:

(i) Disputes between employers and employees

(ii) Disputes between employer and employer

(iii) Disputes between employee and employee

(iv) Disputes between employers and the public

(v) Disputes between employers and the government

In some cases, the courts of justice protect the citizens from unlawful acts passed by the legislatures and arbitrary acts done by the Government or the executive. The judicial verdicts have far reached consequences on business.

The consequences become more intense and severe because:

(i) Judicial errors do occur, though infrequently

(ii) Judges may vary in the severity of punishment inflicted.

(iii) Possibility of wrong assessment of penalty

(iv) Conflicting verdicts may be pronounced by different judges on the same or similar disputes

(v) There is a lot of confusion in the labor laws themselves.

**Study of liberty, equality, fraternity, and tolerance**

**a. Liberty:**

Broadly speaking, liberty is the ability to do as one pleases, or a right or immunity enjoyed by prescription or by grant. It is a synonym for the word freedom. In modern politics, liberty is the state of being free within society from control or oppressive restrictions imposed by authority on one's way of life, behaviour, or political views. In philosophy, liberty involves free will as contrasted with determinism. In theology, liberty is freedom from the effects of "sin, spiritual servitude, [or] worldly ties". Sometimes liberty is differentiated from freedom by using the word "freedom" primarily, if not exclusively, to mean the ability to do as one wills and what one has the power to do; and using the word "liberty" to mean the absence of arbitrary restraints, taking into account the rights of all involved. In this sense, the exercise of liberty is subject to capability and limited by the rights of others.

b. **Equality:**

The law must guarantee that no individual nor group of individuals be privileged or discriminated against by the government. Equality before the law is one of the basic principles of liberalism. This principle arises from various important and complex questions concerning equality, fairness and justice. Thus, the principle of equality before the law is incompatible and ceases to exist with legal systems such as slavery, servitude.

**c. Fraternity**

This refers to a feeling of brotherhood and a sense of belonging with the country among its people. It embraces psychological as well as territorial dimensions of National Integration. It leaves no room for regionalism, communalism, casteism etc., which hinders the unity of the State. The Preamble declares that fraternity has to assure two things—the dignity of the individual and the unity and integrity of the nation. The word 'integrity' has been added to the Preamble by the 42nd Constitutional Amendment (1976).

**d. Toleration**

Toleration is the allowing, permitting, or acceptance of an action, idea, object, or person which one dislikes or disagrees with. Political scientist Andrew R. Murphy explains that "We can improve our understanding by defining "toleration" as a set of social or political practices and "tolerance" as a set of attitudes.

**Coalition Politics**

The term ‘coalition’ is derived from the Latin word ‘coalitio” which is the verbal substantive of coalesce which means to grow together. A coalition government is a form of government in which political parties cooperate to form a government. The usual reason for such an arrangement is that no single party has achieved an absolute majority after an election. A coalition government might also be created in a time of national difficulty or crisis (for example, during wartime or economic crisis) to give a government the high degree of perceived political legitimacy or collective identity, it can also play a role in diminishing internal political strife.

**Reasons for Coalition Politics in India:**

**a. Growth of Regional Political Parties:** Growth of regional parties has been reason for the emergence of coalition politics in India.

**b. Inability to Represent India’s diversity:** Coalition politics also thrives because of the inability of national parties to continue to give a feeling to the diverse population in India that they are able to adequately represent their disparate interests. pc. The BJP’s vote share increased from about 11 pc in 1989 to a little below 25 pc in recent elections.

**c. Lose of Trust:** The tendency of the national parties to speak of national level issues, and to force coherence in the politics and views on issues, is at odds with our extremely diverse population. In the initial years, to the extent that the Congress party was able to accommodate regional/ local interests and reflect their aspirations, it was possible to maintain a large single party identity. But over the years, regional and caste identities have begun to increasingly assert themselves in the political space.

d**. The moral degeneration in politics:** Combined with regional parties’ ability provide credible alternatives to the Congress party in the states, led to a situation, where ‘horse trading’ became relatively common in unsettling state governments. The brazen way political parties traded MLAs led to the passage of the anti-defection law in 1985.

**Conclusion:** Today’s requirement is that the Judicial System should be overhauled by performance so that order and confidence of the masses can be restored in it. The democracy of the country will die soon if an alert, independent and quick to act judiciary does not come alive in place of the existing functioning anarchy.