

Legal Structure and Business Environment: An Effective Approach to Study Business View

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Abstract

The economic activities are production, consumption, and exchange performed in business, effects the economic development in economy. Business Economics as a science studies the effects and implications of the plans, policies of a firm on its sales and profit through price and demand. It helps the management for the best and most efficient utilization of limited economic resources in the firm. The problem of business firms is forecasting demand, cost of production, pricing, profit planning, capital, management etc. in business. Business Economics uses that body of economic concepts and economic principles, economic laws in Theory of the Firm or Economics of the Firm. The managerial economics analyse the business problems that can be faced by the firm and the economic principles and law constitute the scope of subject matter of business studies. The Business environmental factors influence the working and performance of a business enterprises and managers in the process of business decision-making and planning. The focus of this article remains to study the legal structure of business and its effect on business environment and business performance. The business economy with legal studies and regulations to ensure that companies are strict to achieve environmental standards in competitive market. The emerging business laws - Companies Act 1956(Companies Act 2013), The minimum wage Act.1948, Environmental Law, Consumer Protection Act 1986, IT Act 2000, Industrial Labour Law are affecting the business environment and business itself in the form of safeguard of the human health and environment upgradation

Key Word: *Aspects; Business; Environment; Law; Legal.*

1. Introduction

1.1. Nature of Business Economics and Business Environment

The analysis of macroeconomics in Business economics to understand the general business environment in which the business firm operate for production of brand loyal product. In Business economics, Positive science is, what is being done and as normative science, what should be done under continuously changing environmental circumstances in the process of decision making and formulating plans based on past data, current information and future prediction to maximise profit in business operation. A business firm as production unit, Production process, production organisation (industry) operates under conditions of risk and uncertainty to gain profit.

Business economics in micro term study the behaviour of individual economic unit-consumer, producer, and market view under the shadow of economic laws and business laws. The rapid development in business regulations and legal framework helps how the businesses operate and interact with the world business environment. The

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technological issues as data privacy, cyber security, Artificial Intelligence (AI) and automation, ESG compliance, crypto currency and geopolitical risks in business study helps to evaluate development process and business gain.

Business Economics as Pragmatic in sense is concerned with business firm practical problems and their results by abstract of business economic theory. In business, the focus is on welfare of masses. Business economics is normative science and applied discipline also explains what should be done under circumstances of risk and uncertainty. Business economics aims at supporting the management in taking accurate business decisions and implement the accurate economic policy. It suggests the application of economic principles about policy formulation, decision-making and future planning of production and exchange of goods and services. It not only describes the goals of an organisation but also prescribes the means and sources of achieving these goals.

1.1.1 Economic Environment effect Business Environment in Business

(a) The factors which constitute economic environment in economy are,

- (i) Economic System (Capitalism, Socialism, Mixed Economy, Communism).
- (ii) Business Cycles (Growth and Slumps).
- (iii) Fluctuations in National Income and National Production (High and Low).
- (iv) Industrial Policy of the Government. (Liberalised Policy).
- (v) Trade and Fiscal Policy of the Government. (Open trade).
- (vi) Taxation Policy. (Direct and Indirect Policy).
- (vii) Licensing Policy (Restrictive trade practices).
- (viii) Socio -Economic and Political Environment (Sustainable Development).
- (ix) Trend in labour and capital markets (Industrial Relationship).

(b) The factors which constitute business environment in economy are

- (i) Microenvironment (individual behavior of producer, market and consumer)
- (ii) Macro Environment (Economic and business environment)
- (iii) Socio-Cultural Environmental (Socio-economic development)
- (iv) Political Environment and Legal Environment (Fair trade practices)
- (v) Global Environment and Technological Environment (Advanced technology, branded product)

2. Emerging Business Law

2.1 Companies Act

(a) According to Companies Act 1956, a procedure followed, to form a company, fees for registration, name, constitution, the motive, members of company, share capital, about the general board meetings, management and administration of the company and directors.

(b) The Companies Act, 2013, replaces the Companies Act. 1956, introducing significant changes in corporate governance, regulations and compliance. Key differences include stricter corporate governance norms, the introduction of one person companies (OPCs), mandatory Corporate Social Responsibility (CSR), and changes to financial year reporting requirements.

2.2 Industrial Labor Law

Labor law is also known as employment law. It defines the rights and obligations of workers, union members and employers in the workplace. In India, labor laws are extensive, covering and affecting both organized and

unorganized sectors as (The Industrial Dispute Act.1947, The Factories Act.1948, The Equal Remuneration Act.1976) to promote social justice. Industrial relation includes,

- (i) aspects like trade union registration, collective bargaining and unfair labor practices.
- (ii) workplace Health and Safety Regulations ensure a safe and healthy work environment for all employees.
- (iii) employment Standards laws cover various aspects of employment, including minimum wage, working hours, leave entitlements and termination procedures.
- (iv) Social Security Laws like the Employee Provident Fund (EPF) and the Employees State Insurance (ESI) provide social security benefits to workers.
- (v) Specific Sectors laws address factories, mines, plantations, and construction formulating regulations.

2.3 Minimum Wages Act, 1948

The Minimum Wages Act, 1948, aims to set minimum wage rates in certain employments. It ensures that workers receive a basic level of compensation, helping to establish a minimum standard of living. The Act applies to both Central and State Governments, who are responsible for fixing, reviewing, and revising minimum wages within their respective jurisdictions on the basis of skill, type of work and location.

(a) The Act provides that if an employee is on piece work and a minimum time rate is fixed, the employer must pay at least the minimum time rate.

(b) The Minimum Wages Act, 1948 – India Code [15th March 1948], introduced by Ministry of Labor & Employment, both Central and State Governments are appropriate Governments to fix and, review wages. An Act to provide for fixing minimum rates of wages in certain employments, where an employee is employed.

(c) To fix minimum rates of wages in specific employments to ensure a basic standard of living for workers on the basis of,

- (i) Applicability - The Act applies to scheduled employments, which are defined by the government, and covers both Central and State governments.
- (ii) Responsibility -The appropriate government (Central or State) is responsible for determining minimum wages, revising them, and establishing advisory boards to assist in this process.
- (iii) Definition of Wages-Section 2(h) of the Act provides a comprehensive definition of wages, including all remuneration in terms of money, house rent allowance, and more. However, it excludes certain benefits like accommodation, medical attendance, or employer contributions to pension/provident funds.
- (iv) Non-Discrimination-The Act prohibits discrimination between male and female workers in terms of minimum wages, meaning both genders should receive the same minimum wage for the same work.
- (v) Revision of Wages-The minimum wages are periodically revised based on various factors, and the State and Central governments are responsible for this revision.
- (vi) Enforcement-The Minimum Wages Act is enforced through state and central enforcement machinery, which conduct inspections and take necessary action in cases of non-compliance.
- (vii) Wage Ceiling-The Act sets a wage ceiling, which has been periodically revised based on consumer expenditure surveys.

2.4 Consumer Protection: A Big Deal (Consumer Protection Act, 1986)

(a) Consumer Rights act recognizes various consumer rights, including the right to safety, information, choice, seek redress and the right to consumer awareness.

(b) Consumer Courts and Commissions bodies, at the district, state, and national levels, are established to address consumer complaints and disputes.

(c) Consumer Protection Act. 2019 is to regulate matters related to violation of consumer rights, unfair trade practices, and misleading advertisements.

(d) National Consumer Helpline, Consumer Awareness and Education, promoting awareness about consumer rights and responsibilities is crucial for effective consumer protection.

(e) Consumer Abilities to make decisions based on,

- (i) *their needs and priorities.*
- (ii) *for the safe and effective use of goods and services.*
- (iii) *seeking legal remedies.*
- (iv) *safety standards.*

2.5 Environment Protection: A Protective Approach (Environment Protection Act. 1986)

The Environmental (Protection) Act. (EPA)1986 is an Indian environmental legislation is responsible for protecting human health and the environment. The EPA works to protect and restore water resources under the Clean Water Act.1972(Amended several times in,1977,1981,1987,2014) and Safe Drinking Water Act.1974. The EPA develops strategies to manage greenhouse gas emissions combating climate change and integrates environmental considerations into policies promoting sustainability for future. The EPA works to ensure clean air, water and land for masses and enforces national pollution control standards, developing and enforcing environmental laws. The EPA conducts inspections and monitors environmental conditions and provides technical support to help states and communities to face environmental challenges. The EPA conducts research to better understand environmental problems and develop solutions and oversees the cleanup of hazardous waste sites and emergency releases of contaminants.

2.6 Emerging Environment Laws and Environmental Issues

(a) Environmental Laws

Environmental laws are legal frameworks designed to protect the environment and human health for future generations.

(i) Environmental Laws in India

- (a)Water (Prevention and Control of Pollution) Act. 1972.
- (b) Wildlife Protection Act. 1972.
- (c) Forest (Conservation) Act. 1980..
- (d) Air (Prevention and Control of Pollution) Act. 1981.
- (e) Environment (Protection) Act, 1986
- (f)Biological Diversity Act. 2002.
- (g)National Green Tribunal Act. 2010

(ii) Environmental Issues

- (i) The Environmental laws address air and water pollution from various sources, including industrial activities, vehicle emissions and waste disposal.
- (ii) The Environmental Regulations are in place for managing hazardous waste, biomedical waste, e-waste and municipal solid waste.
- (iii) The Environmental Laws protect Resource Conservation forests, wildlife and biological diversity.
- (iv) Environmental Impact Assessments (EIAs) are required for major development projects to assess their potential environmental impacts.
- (v) Public Liability Insurance covers damages caused by hazardous substances.

3. Modern Technology Advancement effect on Business

3.1 Information Technology (IT) Act 2000

In India, Information Technology Act 2000 (IT Act) allows for the formation and execution of contracts in electronic format.

(a) Digital Contract

A digital contract, also known as an e-contract or electronic contract, is a legally binding agreement created, signed, and stored digitally. It utilizes electronic signatures and other digital methods to establish a legally enforceable agreement, mirroring the function of a traditional paper contract.

(i) Aspects of Digital Contracts

(a) Digital contracts are created, stored and managed entirely in an electronic format, eliminating the need for physical paper and storage.

(b) Electronic signatures, like digital stamps or encrypted signatures, are used to authenticate and bind the parties to the agreement.

(c) Digital contracts are considered legally binding in most jurisdictions, provided they adhere to the same legal requirements as traditional contracts, including offer, acceptance and consideration.

(d) They are used in various scenarios, including employment contracts, vendor agreements, service contracts.

(d) Benefits of Digitalization- Digital contracts offer advantages like enhanced security, reduced risk of errors, efficiency, cost savings, and accessibility.

(e) Examples of Digital Contract Usage,

(i) Employment Agreements-Digital contracts are commonly used for employee on boarding, employment terms and termination agreements.

(ii) Vendor Agreements-Businesses use digital contracts to establish relationships with suppliers and vendors.

(iii) Customer Agreements-Contracts with customers, such as service agreements or purchase agreements, are increasingly digitized.

(iv) Non-Disclosure Agreements (NDAs)-Digital contracts are used to protect confidential information and trade secrets.

4. Legal Aspects of Business

4.1 Business Contract

In business law, business contracts are classified based on various criteria,

1. Based on Formation

(a) **Express Contracts** terms are in writing as a written lease agreement (House rent).

(b) **Implied Contracts** are inferred from the conduct of the parties and the surrounding circumstances (contract in customer and barber).

(c) **Quasi-Contracts** are Legally imposed contracts created by a court, when one party benefits unfairly at the expense of another.

2. Based on Obligation

- (a) **Bilateral Contracts** where both the parties make promises to each other as a sales contract where the seller promises to deliver goods, and the buyer promises to pay.
- (b) **Unilateral Contracts** is as one party makes a promise in exchange for the performance of an act by the other party as a reward (offered for missing things).

3. Based on Performance

- (a) **Executor Contracts** is where one or both parties have not yet fulfilled their obligations.
- (b) **Executed Contracts** is where all parties have fulfilled their obligations.

4. Based on Validity

- (a) **Valid Contracts** meet all the legal requirements and are enforceable.
- (b) **Void Contracts** is not legally enforceable from the beginning.
- (c) **Voidable Contracts** can be enforced by one party but may be cancel or repeal by law, order.

4.2 Business View

A business agreement is as a contract, legally binding professional relationship between two or more parties. Business agreement serves as a roadmap for a successful business relationship, providing a framework for collaboration and mitigating potential risks.

- (a) **Parties Involved** are Clearly identifies all parties participating in the agreement, including their legal names and contact information.
- (b) **Scope of Work** is the specific tasks, deliverables, or services that each party is responsible for providing.
- (c) **Terms and Conditions** outlines the specific obligations, responsibilities, and expectations of each party.
- (d) **Payment Terms** Specifies the agreed payment structure, including amounts, due dates, and methods of payment.
- (e) **Timelines and Deadlines** can sets forth the schedule for completing tasks and deliverables.
- (f) **Intellectual Property** Addresses the ownership and usage of any intellectual property created or used during the agreement.
- (g) **Confidentiality** specifies what information is considered confidential and how it should be protected.
- (h) **Termination Clause** explains the conditions under which the agreement can be terminated by either party.
- (i) **Dispute Resolution** establishes a process for resolving any disagreements or disputes that may arise.

(iii) Types of Business Agreements

- a) **Contracts:** Legally agreements for the sale of goods or services.
- b) **Memorandums of Understanding (MOUs):** Agreements a shared understanding and common goals between parties.
- c) **Partnership Agreements:** Formalize the relationship between partners in a business.
- d) **Joint Venture Agreements:** Agreements between two or more businesses for a specific project or endeavour.
- e) **Operating Agreements:** The operations and management of a limited liability company (LLC).
- f) **Importance of Written Agreements:**
- g) **Clarity and Understanding:** Written agreements for terms.
- h) **Enforceability:** Written contracts are easier to enforce in a court of law if disputes arise.

- i) **Protection:** Agreements help protect the interests of all parties involved by clearly defining rights and obligations.

(iv) Corporate Social Responsibility for Environment Protection

Corporate Responsibility for Environmental Protection (CREP) is companies minimize the environmental impact and actively contribute to a healthy ecosystem and sustainable development.

5. Aspects

- (a) Waste Management is Minimizing waste, maximizing recycling, and ensuring responsible disposal.
- (b) Resource Conservation is Reducing water and energy consumption, using sustainable materials, and promoting reusable packaging.
- (c) Pollution Control is Reducing pollution, eliminating toxic emissions and adopting cleaner technologies.
- (d) Developing and implementing environmental policies that align with the principles of CREP.
- (e) Supplier Relationships is Working with environmentally conscious suppliers and distributors.

6. Motivations

Companies may adopt CREP for various reasons, including:

- (i) Demonstrating environmental responsibility can enhance a company's image and build trust with stakeholders.
- (ii) Implementing environmental-friendly practices can lead to cost savings in the long run, such as reduced energy consumption and waste disposal.
- (iii) Companies that prioritize environmental responsibility may gain a competitive edge in the market.
- (iv) Adhering to principles of social responsibility, including environmental protection, is seen as a positive contribution to society.

7. Conflict of Interest

The authors declare that they have no conflict of interest.

8. Funding Declaration

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9. Conclusion

In business studies the business management is a good approach with the knowledge of external forces demand /supply that affect the performance of business firm following business law framework. The important macro view that affects the industry are business cycle, revenue and expenditure, economic and business policies of the government, open trade. Managerial economics focuses on efficiently use of the resources and its allocation for increasing productivity. New and evolving legal structure is focusing on issues related to technological advancements, changing business strategy and global environment. The Companies Act, 2013 is as amendment of previous company act (1956) for significant changes in corporate governance and regulations. Corporate Social Responsibility (CSR) are changes to financial year reporting requirements for financial status review. The

Information Technology Act 2000 (IT Act) allows for the formation and execution of contracts in electronic format as Digital contract (e-contract or electronic contract). Digital contracts are beneficial to enhanced security, reduced risk of errors, efficiency, cost savings, and accessibility. Business contracts are based on various criteria formation, obligation, performance and validity. The aspects of the Minimum Wages Act. 1948 for minimum rates of wages in specific employments and skill. Consumer rights have interest for the buying goods or services, ensuring protection and fairness for quality and price deal. The Environmental Protection is for protecting human health and to ensure clean air, water and land to reduce environmental risks by adopting measures to prevent, control. Corporate Responsibility for Environmental Protection have sound practices reducing pollution and conserving resources actively contribute to a healthy ecosystem and sustainable development. All these Business laws help to study the effect on business environment for business Studies under legal framework to increase revenue and profit with safeguard of human health and environment.

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