

Unit 2 Political Environment

It refers to the influence from government institutions, strategies of political parties, policies of state and local government and relationship between government and business. Managers must know about political environment because:

- It imposes certain legal constraint on the business.
- It establishes a market atmosphere that maybe pro-business or anti-business.
- It has the potential to provide stability needed for long-term planning.

For systematic study of political system, a business firm should, first of all, analyze the national constitution, major political parties, form or structure of government, the mechanisms designed to guide a transition of power from one leader to the next, key power blocks, and the extent of popular support.

Components of Political Environments:

1. Political Ideologies: They refer to the set of ideas , principles and philosophy which are concerned with allocation of power and offer political and cultural outlook. The major political ideologies are democratic and totalitarian.
 - i. Democratic: The political ideology under which the nation is governed by the people representatives. The power lies in the hand of people. There is always the freedom to speak, political rights, civil liberties. Besides there is the existence of multiparty and private sector has greater role in national economy.
 - ii. Totalitarian: Totalitarian is an ideology under which total power is vested in a single person, or a group or a government. Totalitarianism aims at regulating all aspects of public and private life. Freedom, political rights and civil liberties are restricted. Only one party system exists.

Democratic V/S Totalitarian

Summary	Totalitarian	Democracy
Definition	A government type that permits no individual freedom	Government for the people, by the people and of the people
History	A government type with	A type of government of

	oppressive rule originated in 4 th century B.C	5 th century BC
Place of origin	Asia	Athens, Greece
Famous leaders	Adolf Hitler, Joseph Stalin	Aristotle, Franklin Roosevelt, Mahatma Gandhi
Advantages	Faster process for the system, Law making process, simpler, less room for corruption	Freedom, majority rule, People's right, power of voting.
Rule	Single rule	Majority rule
Succession	Neither Heritance nor Elective	Elective
Parliament	Absent	Present
Constitution	Absent	Present

2. Constitution: It is a fundamental guideline or law under with nation functions. It affects the development of business in the country directly. Nepal is being ruled by the new constitution 2072 after promulgated on 3rd of Aswin 2072 (20th September 2015).

The major directive principles stated by new constitution are:

- i. The political objective of the state is to establish federal democratic republican system to ensure the use of democratic rights by keeping sovereignty, independence and integrity at the highest level.
- ii. The socio-culture objective of the state is to end all forms of discrimination, exploitation and injustice based on religion, culture, custom, tradition and usage by respecting cultural diversity.

- iii. The economic objective so the state is to develop sustainably through equitable distribution of resources and promote participation of the public cooperative and private sectors.
- iv. The international relations of the state are directed towards enhancing the dignity of the nation in the international arena.

The major features of the new constitution are:

- i. 7 states in Nepal (Name to be given later with the help of special committee)
- ii. Discussion to continue on contentious issues and amend of some provision until the final one.
- iii. Vote of dissents are not a part of the draft but put there for further discussion
- iv. Citizenship by Father Name or mother name.
- v. Citizenship to NRN (Non-resident Nepalese).
- vi. 60 percent FPTP and 40 PR in state assemblies as well.
- vii. Secularism to continue with freedom of any religion.
- viii. Bicameral legislation (275 Parliament and 45 National assembly members)
- ix. New Prime Minister, President and Parliament head election to be held within a month after promulgation of new constitution.
- x. Five unchangeable provisions.

(Note: Changes on constitution is underway so students are advised to updated the changes)

3. Political Parties: Political parties are the building blocks of democratic system. They act as representatives of people and address their problems. Through legislation, they attempt to form government and rule the nation according to their ideology and policies.

There are more than 100 political parties in Nepal. Out of them 25 parties have representation in the legislative assembly. The major political parties of Nepal are:

- i. Nepal Congress
- ii. Communist Parity of Nepal (Unified Marxist-Leninist)
- iii. Unified Communist party of Nepal (Maoist)
- iv. Rastriya Prajatantra Party Nepal
- v. Mesdhesi Jana Adhikar Forum Nepal (Loktantrik)
- vi. Rastriya Prajatantra Party
- vii. Mesdhesi Jana Adhikar Forum Nepal

viii. Tarai-Madhesh Loktantrik Party.

4. Government and Its Branches:

- a. Legislative: Legislative is formed by the representative of people. It is also called parliament. Its main responsibility is formulation and enactment of law.

According to new constitution ,the legislature of Nepal is divided into three levels:

- i. Federal Legislature: It is the legislature at the central level. It consists of the houses, namely the House of Representatives and the National Assembly. The House of Representative consists of 275 members. National assembly consists of 45 members and is a permanent house. One third of members retire in every two years.
 - ii. State Legislature: Each state has legislation called state assembly. Unlike federal legislation, it has a single house.
 - iii. Local Legislature: The legislative rights at local levels are entrusted to village council (*Gaon Palika*) and municipal council. They can make laws according to state laws.
- b. Executive: It refers to the organ of the state that is responsible for the overall administration of the nation. It is composed of the government and its organs as bureaucracy, army, police etc.

According to new constitution ,the executive of Nepal consists of the following:

- i. Federal Government: It is the central government. The form of governance will be multiparty competitive federal democratic republican parliamentary system based on pluralism. The Council of Ministers led by the Prime Minister has the executive power of Nepal. It is responsible for issuing general directives ,controlling and regulating the administration.
 - ii. State government: The executive power of the state shall be inherent in the council of ministers of the state led by the chief minister.
 - iii. Local government: Village council and municipality and district assembly will remain under the local government.
- c. Judiciary: It refers to court of law. It is responsible for settling disputes and interpreting the rules and laws if required. It serves as the watchdog of law and constitution.

According to new constitution, the judiciary of Nepal is divided into four levels:

- i. **Supreme Court:** Supreme Court is an apex court in judicial hierarchy. It may inspect, supervise and give directives to its subordinates courts and other judicial institutions.
- ii. **High Court:** There shall be one High court in each state.
- iii. **District Court:** There shall be one district court in each district. It has jurisdiction over local level cases.
- iv. **Specialized courts:** They are established for the purpose of hearing special types of cases. They may be judicial bodies or tribunals.

Other constitutional bodies in Nepal according to new constitution 2072 are:

- i. The commission for the Investigation of Abuse of Authority.
- ii. Office of the Auditor General
- iii. Federal Public Service Commission.
- iv. Election Commission.
- v. National Human Rights commission
- vi. National Natural Resources and Fiscal Commission.
- vii. National Women Commission.
- viii. National Dalit Commission.
- ix. National Inclusive Commission.

Business Government Relationship

Government and business institutions in a country in many ways are interrelated and interdependent on each other. In today's global economy, its businessmen and entrepreneurs are the driving forces of the economy. In planned economy or even in market economy government holds control of shaping the business activities of a country.

For maintaining a steady and upward economic growth The Government must try to make the environment for business organizations suitable. And the organizations must follow the laws of governments' to run the businesses smoothly and making sure there is a level playing field.

The main goal of businesses is to make profit and governments' goal is to ensure economic stability and growth. Both of them are different but very co-dependent. For this the government and organizations or businesses always tries to influence and persuade each other in many ways for various matters. A balanced relationship

between the government and businesses is required for the welfare of the economy and the nation.

Furthermore, the relation between government and business can be explained by the following points.

1. **Role of government towards business sectors/Government relation with business** : The role of the government towards business can be viewed in three categories:

- a. As a business **promoter**
 - b. As a business **regulator**
 - c. As a business **caretaker**
- a. Promoter : Government promotes business in following ways:
- i. Infrastructure and manpower development: Government provides the facilities like transportation, information technology, communication, water supplies, waste disposal, civic amenities facilities, etc. Besides, the government also conducts different educational and training program for the development of technical and professional manpower in nation. These activities facilitate business development.
 - ii. Public enterprise: Government establishes different trading and manufacturing organization to deal in essential goods and services. They play an entrepreneurial role in setting up industries.
 - iii. Source of information: Since, the government is the largest organization in a country, it has abundant information which can be used in business. Thus, government acts as a source for information and provides to the business.
 - iv. Financial Assistance: Government provides low cost finance through its financial institutions like Nepal Rasta Bank, Provident fund, Citizen Investment fund, Agriculture development bank etc. for industries.
 - v. Incentives and subsidies: Government facilitates business by providing subsidies to the growing and sick industries. It also provides incentives to the business producing essential goods and services to maintain low cost to the people.
- b. Regulator: As a regulator government formulates different rules and regulation to operate the business smoothly. Businesses must comply with such regulation. The different business related regulations in Nepal are: Private Firm

Registration Act, Trade union Act, Company Act, Labour Act, Food Act, Foreign Exchange Regulation etc. Besides, there are different policies such as Monetary Policies, Fiscal Policy, Trade Policy, Industrial Policy, etc government enacted for the development of business.

- c. Caretaker: As a caretaker government provides protection from the political risk factors such as: extortion, band, unrest etc. Apart from that, it formulates and implements strict rules and regulation to protect intellectual property rights.

2. **Role of business towards the government/ Business relation with government:** Business plays vital role to support the government. They are as follow:

- a. Payment of taxes: Taxes are the major revenue to the government. Business organizations pay various taxes to national and local government. Besides, businesses also assist government in collection of taxes by deduction tax at source on salary and other payment.
- b. Rendering of advice: Business organizations work side by side with the government to help in formulation of different effective business plans and policies to develop sound economic condition of the nation.
- c. Source of information: Business organization provides valuable information regarding the current business trend and problems, which is helpful in better decision making by the government
- d. Execution of contracts: Businesses help government to execute its different developmental projects and programs. It also renders supplies and materials for the better functioning of the government.

Nepalese Political Environment: Issues and Problems

Business and politics are interrelated with each other. Any changes in political dynamics can hit the business hardly. The recent blockade and *Tarai* strike has created colossal damage to the business sector in Nepal. So we must assess the political change and its impact in business effectively to ensure the future success.

The issues of political environment in Nepal can be explained as follows:

- a. Political Instability: Political instability is the frequent change of government. The change in government creates change in policy which adversely affects the development of business sectors. In Nepal there are altogether 22 government in 25 years. This leads to weak government control and ineffective implementation of law.

Forced donation, kidnapping ,threatening are common because of instable government.

- b. Lack of broader vision on political parties: The main stream political parties suffer from the lack of broader vision, policy and programs which are essential for good governance, political stability and economic development. This creates low confidence level to the private sectors.
- c. Poor understanding among the political parties: Lack of trust and egos between political parties causes poor understanding between them. They are unable to build consensus even in national issues. This adversely impacts the long-term growth of business sector in Nepal.
- d. Lack of democratic thoughts: Most of the main stream parties found very weak in developing democratic norms, values, belief within them. This limits the concept of sovereignty to people only in papers. Such behaviors negatively affect the business industry functions.
- e. Lack of good governance: Good governance is being accountable, transparent, responsive, inclusive in making and implementing decision. However, according to Amnesty international in 2014 Nepal rank 126th out of 174 countries in the world in governance. This data show how weak our government is in policy formulation and its implementation.
- f. Labour force as political force: Most of the labour unions are politically oriented, multiplicity and outside leadership. The psychological distance between the management ,labour and government is very wide. The government has not been able to play regulatory , adjudicatory and developmental roles as effectively as expected.
- g. Employers' Association: The employers' associations in Nepal are found to be influenced by politics. They are unable to create good relation between labors and government. They are focused only on short-run profit and pressurize the government to formulate the laws which benefits them a lot in their standing.