

Environmental Factors Affecting commercial law

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Abstract— Kurdistan has a growing market infused with rapid industrial development and economic growth. Organizations must understand the differences in the legal, political, social and economic environment of the country as these can be difficult to manage and may hinder business development. The main aim of this study is to examine environmental factors effecting business law. The population of the study comprised all finance companies operating in Kurdistan. A sampling frame was used for this study comprising of micro finance companies operating in Erbil. A sample size of 109 respondents was used for the study. This sample was selected through the simple random sampling technique. The results showed that the value of beta for legal factor is .599 with the P-value .000 this means that the legal environment will have positive and significant influence on business law, accordingly hypothesis one is supported, the value of beta for political factor is .613 with the P-value .000 this means that the political environment will have positive and significant influence on business law, accordingly hypothesis two is supported, the value of beta for social factor is .514 with the P-value .000 this means that the social environment will have positive and significant influence on business law, accordingly hypothesis three is supported and finally the value of beta for economic factor is .608 with the P-value .000 this means that the economic environment will have positive and significant influence on business law, accordingly hypothesis four is supported.

Keywords— environmental factors, law, political, social, legal, Business.

I. INTRODUCTION

The main aim of this study is to examine environmental factors effecting business law. Environment is the sum of all forces surrounding and influencing the life and development of a firm. International business environment refers to the forces that foreign firms are likely to encounter in foreign markets. An organization is made up of internal and external environments (Schmitt, et al. 2014). Organizations today are facing unprecedented challenges in maintaining commercial being and success. Due to the rapid changes happening in today's marketplace and emerging business practices, it is more likely for an

organization, to fall behind by not keeping up with trends of their external environments. Organizations are open systems which interact with their environment and the environment helps to shape the organization. The environment is perceived as key determinant of organization's performance (de Jesus Silva, et al. 2017).

Environmental factors, broadly defined, are critical to understanding the health and well-being of the older population. Such factors include the resources that individuals have in their physical surroundings, their perceptions of the quality of their neighborhoods and communities, and the nature and extent of their personal social networks (Fouad, et al.2017).

II. LITERATURE REVIEW

Understanding the environment within which the business has to operate is very important for running a business unit successfully at any place. Because, the environmental factors influence almost every aspect of business, be it its nature, its location, the prices of products, the distribution system, or the personnel policies. Hence it is important to learn about the various components of the business environment, which consists of the economic aspect, the socio-cultural aspects, the political framework, the legal aspects and the technological aspects (Bhowmick& Prasad, 2017).

It is essential to review the environment of a country because population policy efforts and the programs they entail are often justified on economic grounds. It is frequently argued that population growth must occur at a pace slower than, or at a minimum equal to, that of national economic growth. The state of the economy affects competition for resources, and allocation of human, monetary, and infrastructure resources to population activities may be controversial because it diverts resources from other national priorities. Economic decision making also comes into play at the level of individuals and households. Children may be looked at as an additional source of household income. Local conditions can affect decisions about labor migration, both within national borders and internationally. Migrant pay remittances contribute substantially to the support of households and communities in many countries. A number of the legal

changes discussed earlier are closely linked to economic policy (Saleh& Watson, 2017). Policies that increase women's earning power include ...deregulating economies, increasing the demand for labor, removing barriers to women's participation, and allowing women equal access to productive resources. These economic policies lead to rising women's incomes and altering attitudes about the role of women (Benson, 2017).

Organizations are environment serving and dependent. An organization does not operate in a vacuum but within an external environment. Organizations are environment dependent. There are many different environments that each business operates within. Business organizations are ultimately involved in the same basic activity, namely, the transformation of inputs (resources) into outputs (goods and services). Businesses are entities made up of interrelated parts which are intertwined with the outside world the „external environment. This environment comprises a wide range of influences; economic, demographic, social, political, legal, technological among others which affect business activity in a variety of ways and which can impinge not only on the transformation process itself but also on the process of resource acquisition and on the creation and consumption of output. The external environment can provide both facilitating and inhibiting influences on organizational performance. Organizational performance refers to the extent to which an organization meets its strategic objectives and other results as disaggregated in the organization result hierarchy including input, output, outcome and impact. It is actual result measured against intended goals and objectives (Uwer& Schramm, 2018).

Environmental factors

Political Environment

This includes the political system, the government policies and attitude towards the business community and the unionism. All these aspects have a bearing on the strategies adopted by the business firms. The stability of the government also influences business and related activities to a great extent. It sends a signal of strength, confidence to various interest groups and investors. Proactive international firms maintain an up-to-date profile of the political and economic environment of the countries in which they maintain operations (or have plans for future investment). As the heart of governance is the notion of 'sovereignty', which implies the power to rule without constraints and which, for the last three centuries, has been associated with the nation state (Gungoraydinoglu, et al. 2017).

Political environment is a "persistent pattern of human relationship that involves, to a significant extent, control,

influence, power, or authority. 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. The political system of the country also has an influence on political environments. Political stability is a basic requirement to success regardless of the industry. In hotel industry in particular, political factors can influence the number of visitors, both, tourists and business travelers' visits to a country in direct and indirect ways. Further, ideology of the political party also influences the business organization and its operations. You may be aware that Coca-Cola, a cold drink widely used even now, had to wind up operations in India in late seventies. Again the trade union activities also influence the operation of business enterprises. Most of the labor unions in Kurdistan are affiliated to various political parties. Strikes, lockouts and labor disputes etc. also adversely affect the business operations. However, with the competitive business environment, trade unions are now showing great maturity and started contributing positively to the success of the business organization and its operations through workers participation in management (Bradley, et al.2017).

Legal Environment

This refers to set of laws, regulations, which influence the business organizations and their operations. Every business organization has to obey, and work within the framework of the law. Law is a word that means different things at different times (Benlemlih&Girerd-Potin, 2017). Black's Law Dictionary says that law is "a body of rules of action or conduct prescribed by controlling authority, and having binding legal force. In the federal system, judges are appointed by an elected official (the president) and confirmed by other elected officials (the Senate). If the president is from one party and the other party holds a majority of Senate seats, political conflicts may come up during the judges' confirmation processes. Such a division has been fairly frequent over the past fifty years (Liu & Pan, 2017).

Social Environment

The social environment of business includes social factors like customs, traditions, values, beliefs, poverty, literacy, life expectancy rate etc. The social structure and the values that a society cherishes have a considerable influence on the functioning of business firms. For example, during festive seasons there is an increase in the demand for new clothes, sweets, fruits, flower, etc. Due to increase in literacy rate the consumers are becoming more conscious of the quality of the products. Due to change in family composition, more

nuclear families with single child concepts have come up. This increases the demand for the different types of household goods. It may be noted that the consumption patterns, the dressing and living styles of people belonging to different social structures and culture vary significantly (Conroy & Roff, 2018).

Social environments lacking basic resources—healthy food, safe housing, living-wage jobs, decent schools, supportive social networks, access to health care and other public and private goods and services—present the highest public health risk for serious illness and premature death. Understanding why this happens requires an ecologic approach to population health, one that recognizes that individuals and communities interact with their physical and social environments. Conceptualizing health as a product, in part, of social conditions facilitates the identification of relationships between social determinants and health outcomes that may be amenable to community interventions (Hancox, et al.2017).

Economic Environment

Economic environment refers to all those economic factors which have a bearing on the functioning of a business unit. Business depends on the economic environment for all the needed inputs. It also depends on the economic environment to sell the finished goods. Naturally, the dependence of business on the economic environment is total and it is not surprising because, as it is rightly said, business is one unit of the total economy. Environmental economics is the subset of economics that is concerned with the efficient allocation of environmental resources (Aastveit, et al. 2018). The environment provides both a direct value as well as raw material intended for economic activity, thus making the environment and the economy interdependent. For that reason, the way in which the economy is managed has an impact on the environment which, in turn, affects both welfare and the performance of the economy (Njoku, et al.2017).

III. METHODOLOGY

This research method is descriptive research which means describing, explaining some particular explanation. The descriptive research deals with the description of present situation rather than to give judgments and interpretation about present situation. The current situation deals with the verifying the hypothesis that reflects the present situation. The present study used a quantitative research design, specifically the descriptive survey design. This is because such design accurately and objectively describes the characteristics of a situation or phenomenon being investigated in a given study. It provides a description of the variables in a particular situation and, sometimes, the relationship among these variables rather than focusing on the cause-and effect relationships. Thus, this study used a questionnaire which was developed from previous research in order to measure the relationships among the investigated variables. As an approach to the easy collection of data, the survey used in this study encompasses three main Variables: economics environmental, political environmental, legal environmental, social environmental and business law. The population of the study comprised all finance companies operating in Kurdistan. A sampling frame was used for this study comprising of micro finance companies operating in Erbil. A sample size of 109 respondents was used for the study. This sample was selected through the simple random sampling technique.

Research Hypotheses:

1. Hypothesis one: - legal environment will have positive and significant influence on business law.
2. Hypothesis two: - political environment will have positive and significant influence on business law.
3. Hypothesis three: - social environment will have positive and significant influence on business law.
4. Hypothesis four: - economic environment will have positive and significant influence on business law.

IV. RESULTS

Table.1: Reliability Analysis

Variables	Cronbach alpha	Number of question
Legal environment	.714	9
Political environment	.735	8
Social environment	.798	9
Economic environment	.744	8
Business law	.792	9

The reliability analysis as seen in the table -1- for four independent variables and a dependent variable used in this study. It was found that the alpha value for legal environment was .714 and this value is higher than .70 this reveals that all nine questions are reliable to be used to

measure legal environment, the alpha value for political environment was .735 and this value is higher than .70 this reveals that all eight questions are reliable to be used to measure political environment, the alpha value for social environment was .798 and this value is higher than .70 this

reveals that all nine questions are reliable to be used to measure social environment, the alpha value for economic environment was .744 and this value is higher than .70 this reveals that all eight questions are reliable to be used to

measure economic environment, and as for dependent variable the alpha value for business law was .792 and this value is higher than .70 this reveals that all nine questions are reliable to be used to measure business law.

Table.2: Correlational analysis

		Business law
Legal environment	Pearson Correlation	.523**
	Sig. (2-tailed)	.000
	N	109
Political environment	Pearson Correlation	.619**
	Sig. (2-tailed)	.000
	N	109
Social environment	Pearson Correlation	.715**
	Sig. (2-tailed)	.000
	N	109
Economic environment	Pearson Correlation	.698**
	Sig. (2-tailed)	.000
	N	109

** . Correlation is significant at the 0.01 level (2-tailed).

The correlation between four independent variables and a dependent variable can be seen in the table -2-. The value for Pearson correlation between legal environment and business law = .523**, this reveals that there is a significant and positive relationships between legal environment and business law, the value for Pearson correlation between political environment and business law = .619**, this reveals that there is a significant and positive relationships between

political environment and business law, the value for Pearson correlation between social environment and business law = .715**, this reveals that there is a significant and positive relationships between social environment and business law, and the value for Pearson correlation between economic environment and business law = .698**, this reveals that there is a significant and positive relationships between economic environment and business law.

Table.3: Regression Test

Model		Unstandardized coefficients		Standardized coefficients	t	Sig.
		B	Std. error	Beta		
1	Constant	0.714	.241		.958	.645
	legal	.612	.13	.599	21.541	.000
	Political	.625	.12	.613	21.652	.000
	Social	.526	.17	.514	24.541	.000
	Economic	.625	.16	.608	22.512	.000

Dependent variable: Business law

The researcher applied multiple regression tests to find the influence of four environmental factors (legal, political, economic and social) on business law. The results showed that the value of beta for legal factor is .599 with the P-value .000 this means that the legal environment will have positive and significant influence on business law, accordingly hypothesis one is supported, the value of beta for political factor is .613 with the P-value .000 this means that the political environment will have positive and

significant influence on business law, accordingly hypothesis two is supported, the value of beta for social factor is .514 with the P-value .000 this means that the social environment will have positive and significant influence on business law, accordingly hypothesis three is supported and finally the value of beta for economic factor is .608 with the P-value .000 this means that the economic environment will have positive and significant influence on business law, accordingly hypothesis four is supported.

V. CONCLUSION

Kurdistan has a growing market infused with rapid industrial development and economic growth. Organizations must understand the differences in the legal, economic, political, and social environment of the country as these can be difficult to manage and may hinder business development. Especially important is to learn about cultural and political differences and their impact on business practices and business conduct. The results showed that the researcher applied multiple regression tests to find the influence of four environmental factors (legal, political, economic and social) on business law. The results showed that the value of beta for legal factor is .599 with the P-value .000 this means that the legal environment will have positive and significant influence on business law, accordingly hypothesis one is supported, the value of beta for political factor is .613 with the P-value .000 this means that the political environment will have positive and significant influence on business law, accordingly hypothesis two is supported, the value of beta for social factor is .514 with the P-value .000 this means that the social environment will have positive and significant influence on business law, accordingly hypothesis three is supported and finally the value of beta for economic factor is .608 with the P-value .000 this means that the economic environment will have positive and significant influence on business law, accordingly hypothesis four is supported.

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