

Political and Legal Environment

1. The Constitutional Environment

The Constitution of India is the **supreme law of the land** and lays down the **framework** within which the country's political, legal, and economic systems function. It directly affects the business environment in the following ways:

- **Division of powers:** The Constitution distributes powers between the **Central Government and State Governments** through three lists—Union List, State List, and Concurrent List. This determines which level of government can make laws on business-related subjects like trade, commerce, taxation, labor, etc.
- **Fundamental Rights:** These rights (like the right to equality, freedom, and protection of property) ensure that businesses operate in a fair and non-discriminatory environment.
- **Directive Principles of State Policy:** These guide the government in framing laws and policies. They promote **social welfare, equitable distribution of resources**, and fair economic practices.
- **Rule of Law:** Businesses must operate within the legal framework and are subject to judicial review, ensuring accountability and justice.