TUTOR MARKED ASSIGNMENT

Course Code	**:**	**ECO - 13**
Course Title	**:**	**Business Environment**
Assignment Code	**:**	**ECO – 13/TMA/2016-17**
Coverage	**:**	**All Blocks**

Maximum Marks: 100

Attempt all the questions.

1. What is meant by social responsibilities of business? Discuss its various dimensions.

   (5+15)

2. Describe various aspects of the regulatory framework enacted by the Government of India to regulate its role in business.

   (20)

3. Discuss salient features of the Consumer Protection Act, 1986.

   (20)

4. Distinguish between the following:

   a) Public Sector and Private Sector

   b) Monopolistic trade practices and unfair trade practices

   (10+10)

5. Write short notes on the following:

   a) Industrial Sickness

   b) Role of small scale sector in national economy

   c) Causes of balance of payments deficit

   d) Assessment of new economic policy

   (4×5)

ASSIGNMENT SOLUTIONS GUIDE (2016-2017)

E.C.O.-13

Business Environment

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Attempt all the questions.

Q. 1. What is meant by social responsibilities of business? Discuss its various dimensions.

Ans. Social Responsibilities of Business: Corporate Social Responsibility (CSR) is a form of corporate self-regulation integrated into a business model, which defines the responsibility of business organisation and corporates towards society. It is also called corporate responsibility, responsible business, Sustainable Responsible Business (SRB), corporate citizenship or corporate social performance.

It enables business to monitor and ensure adherence to ethical standards, laws and international norms. Business must embrace and understand the impact of their activities on the consumers, employees, environment, communities and all other stakeholders at large.

It is reasoned that business activities involve use of country resources, and hence these bear a responsibility to use to resources in benefit of the society.

At the times when there existed the traditional market, the sole concern of business was for making profit by expanding the business operations. However, everything changed with times. People realised that the markets have half the value if there is no social development. They realised the fact that the business cannot grow without a holistic socio-economic growth. It was at this time when the corporate enterprises started implementing the plans that could spell growth and development of the society as well.

This idea emerged as the outcome of the expectations of public. According to the public, the business units should modify their pursuit of attaining the economic goals. They should also help the society in redressing the social problems, as per the expectations.

The business organisations presently have many obligations for adopting new policies and for making their plans of actions. These actions go in hand with the expectations and also in the interest of the society. Therefore, there are many organisations, which have started taking the social criterion along with the economic criterion in carrying out their business activities.

Although these social responsibilities of business are not helping the business units directly, however, they can definitely help in the betterment of the social resources that again in the end could spell well for the business organisations.

They realised the significance of power responsibility equation. It was the act of balancing of responsibility with power as an essential requirement in society for securing public good. It was adjudged that even the corporate enterprises can use their power in developing society which can affect the environment, and can make the consumers and the community more aware to know about their rights. Now-a-days, there is a very accepted fact that business is an integral part of the society and of the social system.

Corporate Social Responsibility thus, refer to obligation of business organisations to adopt business policies and lines of action which are socially desirable. Classical economists held a contrary view to social responsibilities of business concerns.

Business must voluntarily refrain from practices which are not in the interest of the community or cause environmental deterioration. Businesses must consider public and environmental interests in decision-making and honor the Triple Bottom Line (TBL) - people, planet and profit. Thought there are not set standards for CSR, adherence to TBL is widely accepted.

Views against Social Responsibilities of Business

It is argued that CSR distracts business from their fundamental role of businesses. It is also argued that CSR is merely window-dressing and an attempt to forestall the role of governments as a watchdog over powerful multinational corporations.

There are many arguments against social responsibilities of business. Some of these are:

1. Business is a free enterprise system, and an employee cannot use owner's resources for social cause and benefits. These resources must be best used in the interests of the organisation.
2. Available resources must be allocated to business which can pay higher prices. While using resources, enterprise considers only those effects which will add value to existing assets and does not considers the socially impact/benefit of such change. If management considers social impacts while allocating and utilisation of resources it might cause suppression of economic causes which is not in the interests of the shareholders. At times, it might lead to increased public control over the organisation.
3. Invest in social cause and interest, would mean reduction in investment in productive/economic activities to same extend. Even where companies have adequate resources to engage in social cause, a proportionate large scale commitment would slower the gross national product.

Cases for Social Responsibilities of Business

If business is seen as an integral part of society, and business values are questioned in social context rather than narrow economic framework, the concept of 'corporate social responsibility is justified'.

1. Business is both a social and an economic activity. Thus, business people must realise that they are responsible for their actions not just economically, but socially as well.
2. Market and social system can be satisfactory arbiter of business activities and their consequences. Economic consideration are not isolated from social values.
3. With the significant growth of an organisation, there is growing interest of public in the actions and policies of the organisations. Thus, these enterprises should trace the public demands and work for their fulfillment as it would determine its image. It should it fulfill the need of owners, community, consumers and public that is crucial for its survival and for its growth.
4. The social issues for an organisation are a part of the moral realm and are not at all peripheral issue. As the economic and social obligations of an organisation go hand in hand, they also define the formation of human values.
5. The society is not at all judged with the parameters of economic efficiencies. It is also adjudged by the social efficiencies so the organisations should pay attention to social issues One can derive the benefits of social welfare that remains parallel to the GNP.
6. The good growth of society and the redressal of social needs would eventually help in making a sophisticated society that indirectly would help the business organisation as it will be a favourable market for them to sell their products, services etc.

Dimensions of Social Responsibilities of Business

A business is responsible towards its owners (shareholders), employees, consumer, government and community.

Q. 2. Describe various aspects of the regulatory framework enacted by the Government of India to regulate its in business

Ans. Fourfold role of Government

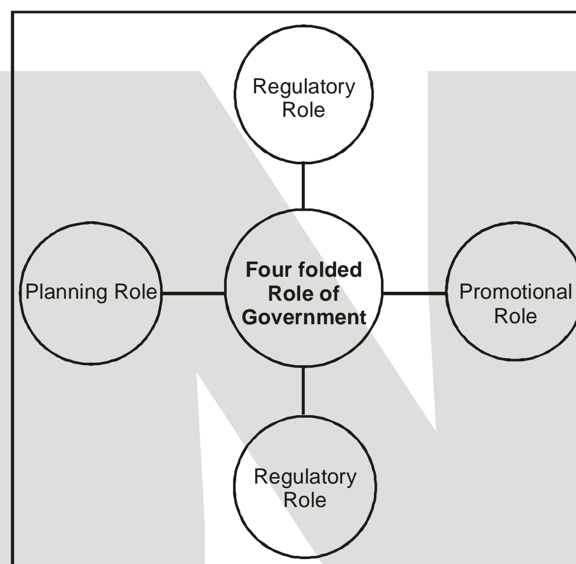
Traditionally the role of government was restricted to maintenance of law and order in the system, to protect social security, protect resources against external threats and attacks, maintain control over public utilities and ensure defence of the country. The government ensured that the environment is conducive for conducting business. It includes providing basic infrastructure and political stability.

However, after the Russian Revolution of 1917, Great Economic Depression (1929), Second World War, the need for planned economic development was felt. It was realised that business have social responsibility and it is the obligation of government must ensure that business discharge these social responsibilities. Thus government came to have an active role in business and economic regulation with an objective of economic growth and development.

Over the years, the role of government has shifted from conducting business to that of regulating the business. The role of government in business has four dimensions:

1. Regulatory
2. Promotional
3. Entrepreneurial
4. Planning

Besides these, the state also regulates and intervenes business to provide direct assistance in form of grants, tax holidays, research and development, consulting and advice, protection, industrial training and other forms of financial assistance. These are justified in light of loss due to external factors, technical complications, financial crisis, international competition; etc.



Regulatory Role

Regulatory role of government involves regulation of various business and economic activities by directing the businesses with set of controls. These regulations aim to prevent concentration of power in few hands, localisation of business in few areas. These also aim at intervening and settling disputes between management and workers.

These controls include general norms and standards as set by the government like ceilings on dividends, public utility profits, imposition of duties and other taxes.

Objective of Regulatory Functions of Government

By regulating the business, the government aims at:

1. Developing small scale industries and promote entrepreneurship.
2. Prevent monopolistic activities.
3. Promote interests of the weaker sections of society.

Thus, regulation aims to align business activities and processes with social justice.

There are two important practical aspects of government regulations:

1. First regulation should not be excessive
2. Secondly, regulation should be done efficiently.

Government regulation can be direct or indirect:

Direct Regulations: Direct controls are drastic and discretionary measures taken by the government which affect the firm/industry at micro-level. Such measures are necessary to control the activities of business which are at times imperfect in terms. For example, industrial licensing system was introduced by the government based on the rationale that in free market resources are not fairly allocated and hence must be regulated.

Indirect Regulations: These regulations are made at macro-level and can be in form of monetary incentives, duties, penalties, rewards, grants, bail; etc which indirectly affect the interests of industry. For example, to promote export-oriented units government gives various grants, cheap funds, tax-relief, duty exemptions, duty-cuts ;etc.

In India government regulates the way the firms conduct their business via following rules:

Industrial Development and Regulation Act , 1951: The government of India introduced the process of registration and licensing to ensure the smooth functioning of industries in India. Within the series of law, it introduced Industries (Development and Regulation) Act, 1951 aiming for a thorough and planned industrial development that included regulation, control and development of industries via registration and licensing. It was declared that licensing comes as a must for establishing a new undertaking and also for manufacturing new article. Licensing was also required for the substantial expansion; however, small scale industries or ancillary units come to be an exception. Even the projects situated in backward zones that carried an investment of Rs. 25 crore were kept apart from the process of licensing.

Industrial Licensing System: It is clearly defined under Section 10 that each industry needs to register itself before starting its operation. Thereafter, this industry is issued a certificate of registration displaying its industrial capacity. If owner starts operation without registration, he can be imprisoned for 6 months or can be fined with Rs 5000. However, registration is not necessary if the undertaking is small scale industry.

Licensing was also required for the substantial expansion; however, small scale industries or ancillary units come to be an exception. Even the projects situated in backward zones that carried an investment of Rs. 25 crore were kept apart from the process of licensing.

Licensing is must for:

1. **Forming new industrial entities:** The six industries that still require licensing are:
   (i) Distillation and brewing of alcoholic dealings
   (ii) Cigars and cigarettes and tobacco manufacturers
   (iii) Electronic aerospace and defence manufacturing
   (iv) The industrial explosives, such as safety fuses, etc
   (v) Hazardous chemicals
   (vi) Drugs and pharmaceuticals.
2. Starting up a new article in manufacturing is present licensed industrial undertaking.
3. Licence required in case of substantial expansion of licensed undertaking.
4. Or when a registrable entity has not yet been registered.
5. Changing the location of registered industrial undertaking.
6. If the registration has been revoked, the business cannot be carried after its revocation.

However, the licensing is not mandatory, if the industries does not fall under the purview of the six licensed units or if the manufacturer wants to carry out the manufacturing in a factory that does not fall under definition factory under Section 3.

It is also not required when the item of manufacture fails does not fall within the definition of new article or if the proposed expansion is not a part of substantial expansion as defined, if the projects with assets of Rs.25 crore are located in non-backward areas while up to Rs. 75 crore are located in centrally backward areas. And finally they are exempted from licensing if they are located under certain location limit.

Incase of the new project of manufacturer of articles that remain uncovered by compulsory licensing, the industrial undertaking can file a memorandum called industrial entrepreneur memorandum (IEM) in a scheduled form to the secretariat for Industrial Approvals (SIA) in the ministry of Industry. Even the industries in non-scheduled categories file such memorandum.

Control over Capital Issue: Earlier to SEBI, the market governing law was the Capital Issues Control Act, 1956 that was regulating the primary market. There was Securities Contracts Regulation Act to regulate the secondary market.

However, keeping in interest to the investors' security, SEBI was floated in April 1998. Even the Capital Issues Control Act has been released and the Companies Act amended for making SEBI the administrative authority to regulate capital issues. Even the government transferred the power to SEBI under SCR Act for regulating the stock market. Thus SEBI was delegated with the task of adopting suitable measures to protect investors' interests in securities.

Price Control: The government regulates the prices of various commodities in the market to protect the interests of common man.

Distribution Mechanism: The Government has enacted Essential Commodities Act to regulate the supply of essential commodities in the market. The Public Distribution System (PDS) ensures timely and adequate supply of essential commodities in the market.

Securities Contract (Regulation) Act, 1956: The Act regulates capital markets, national and local stock exchanges, OTCEI, various issues of the companies, including securities (debt and equity).

Foreign Exchange Regulation Act (FERA), 1973: The Foreign Exchange Management Bill was placed in parliament in July 1998, to replace FERA. The Act aims at effective management of foreign exchange in the country. The act provides for authorised dealings in foreign exchange and has provisions for penalties, contraventions and adjudication procedures to regulate foreign exchange transactions.

Foreign Trade (Development and Regulation) Act, 1992

The main provisions of Foreign Trade (Development and Regulation) Act , 1992 are outlined below:

It empowers the Central government to formulate and implement policies related to country's imports and exports.

Under the provisions of the act, the Central government must take necessary steps for development and regulation of foreign trade. It can work to promote or restrict import-export of certain goods.

The act provides for allotment and cancellation of importer-exporter code numbers and licenses.

Goods meant for export can be inspected, and if found inappropriate or sub-standard, such goods and associated documents can be confiscated and penalised.

Any order made under the act can be appealed and revised.

Monopolistic and Restrictive Trade Practices Act, 1969: The MRTP Act 1969 came up to ensure that there is no concentration of economic power at a single place. Besides it also checked the restrictive, monopolistic and restrictive trade practices. The main body to monitor this act is MRTP Commission that has right to inquire into any complaint that is related to monopolistic trade practice and is also having right for recommending any concrete plans for making any action to the central government. The MRTP is the only body that has the right to inquire, cease or award compensation in case there are some restrictive and unfair trade practices being practised.

Regulation and Promotion of Foreign Trade: The Export Import Policy aims at regulating country's foreign trade. Most of the provisions of the policy are implemented by the regulatory framework provided by Foreign Trade (Development and Regulation) Act, 1992.

Regulation of Companies: The Companies Act 1956 are related to the formation and promotion of company, defining of capital structure of companies, arranging company meetings and procedures, making presentations of company's accounts, its audits etc, for inspecting and investigating the affair of the company and the constitution of board of directors and lastly for the administering of company law.

Industrial Policy: The government announced industrial policies in 1948, 1956, 1973, 1977, 1980, 1990, and 1991 giving stress on development of various sectors of economies.

IPR 1948	This was the first industrial policy, in which the government emphasised the role of small scale sector (SSS) in overall economic development.
IPR 1956	In this role of SSS was reemphasised. The policy drew attention towards the fact that sector provides immediate large scale employment, besides helping in mobilisation of local capital and skills and helps in equal distribution of income. Under the policy SSS was kept outside purview of industrial licensing system. The policy emphasized need for technical up-gradation and modernisation of small scale units.
IPR 1977	The number of items reserved for SSS was considerably increased. The responsibility for industrial units was transferred to respective state governments.
IPR 1980	Laid guidelines for strengthening the existing facilities for SSS.
IPR 1991	A separate policy for SSI was announced by the government. (Before IPR 1991, polices for small scale sector formed a part of general industrial policy).
IPR1991	Emphasised the development of Small scale industries.

Labour Affairs: The government has passed several legislations to safeguard the interests of workers. Some of these are:

- Minimum Wages Act, 1948
- Factories Act, 1948
- Payment of Wages Act, 1936
- Payment of Bonus Act, 1965
- Equal Remuneration Act, 1976
- Employees' State Insurance Act, 1948
- Employee Deposit Linked Insurance Scheme, 1976
- Employees Provident Funds and Miscellaneous Act, 1952
- Industrial Dispute Act, 1947
- Employees' Pension Scheme, 1995
- The payment of Gratuity Act, 1972
- The Industrial Employment (Standing Orders) Act, 1946
- Trade Union Act, 1926

Commercial Acts: Commercial acts aim to regulate the operational aspects of trade and business. These include:

Sales of Goods Act 1930: Sales of Goods Act, 1930 includes provision related to contracts of movable property. It was earlier a part of Indian Contract Act. However, later on, it was repealed and reenacted as separate legislation in 1930.

Indian Contract Act: This law of contracts is embodied in the India Contract Act, 1872 dealing with general principles related to the formation of contract.

As we know that business transactions are based on contracts, there are certain agreements that can be enforced in law's court. The law of contracts is a part of such dealings.

Negotiation Instruments Act: This Act defines a cheque as a bill of exchange that can be drawn on a specified banker and is payable only on demand. The act also defines the inland and foreign bills, ambiguous and inchoate instruments, instruments payable in demand, holder in due course etc. There are certain negotiable instruments including bills of exchanges, cheques, promissory note etc that are used in business transactions and are not transferable by endorsement, however, the holder acquired the valid title even if the previous holder's title is defective.

Arbitration Act: This encodes the principles of law applicable to all kinds of arbitration made with or without intervention of court.

Indian Partnership Act: Under his act, the partners are defined as relations between two or more persons who have agreed to share the profits of business carried for all. The partners are called as firm and they are running the business under a firm name. This Act specifies the rights and duties of partners. This was also a part of Indian contract Act till 1932, however, later on; it was reenacted as an Indian partnership Act.

Miscellaneous Regulatory Enactments: There are other enactments which touch all aspects of business. Some of these are:

- Banking Act
- Essential Commodities Act: The Essential Commodities Act, 1955 promises to protect the general public interest for controlling production and ensures the smooth supply and distribution of trade and commerce in essential commodities. Presently, this act is applicable to 18 commodities. Under this act, central government has the power to regulate production of essential commodities, to bring under cultivation any waste land and to regulate control price etc.
- Standardised Weights and Measures Act, 1956.
- Agriculture Products (Grading and Marking) Act, 1959.
- Trade and Commercial Commodities Marketing Act, 1959.

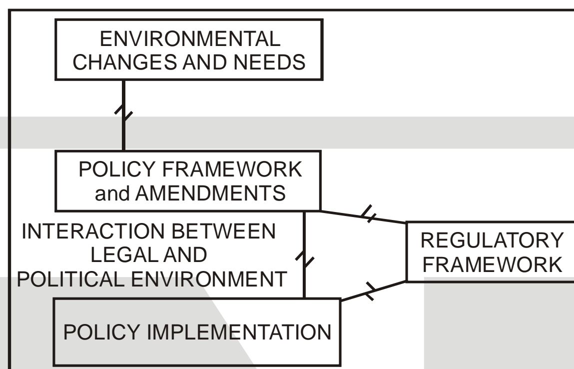
Regulatory Framework

There are two critical aspects of development – policy formulation and implementation. Based on need to improve or enhance, government states certain objectives and lays down policy framework to attain these objectives/goals.

To attain stated objectives, it is essential to implement the policies. Implementation requires legislative support, which leads to interaction between economic and political environment. Practical implementation of policies requires control and regulation. Hence, regulatory framework act like a bridge between policy formulation and implementation. There are three aspects of regulation:

1. Administrative Provisions
2. Controlling Provisions
3. Counselling Provisions

Changes in business environment require necessary changes in exiting policies, which are amended from time to time. The diagram below depicts the same:



The government has from to time enacted several legislations to regulate the system. Some of these are:

1. Monopolies and Restrictive Trade Practices, 1969: The Government of India introduced the Monopolies and Restrictive Trade Policies, 1969 for checking the concentration of industrial power at one place by large business house. The MRTP commission was formed in 1970 with an aim to ensure the thorough implementation of the Act.

This Act was defined as an Act to provide the operation of economic system that does not result in concentration of power to common detriment for the control of monopolies. It further aimed for the prohibition of monopolistic and restrictive trade practices. The objectives of the act, as per the definition, were to prevent the concentration of economic power and to control the monopolies in business and to prohibit monopolistic trade practices. They also included policies to prohibit restrictive trade practices and unfair trade practices.

2. Companies Act, 1956: The Companies Act, 1956 related to defining of capital structure of companies, arranging company meetings and procedures, making presentations of company's accounts, its audits etc, for inspecting and investigating the affair of the company and the constitution of board of directors and lastly for the administering of company law. The objectives of Companies Act, 1956 (on the recommendations of Bhabha Committee)

(a) Disclosure of information relating to state and affairs of the company.
(b) To intervene and investigate the affairs of companies which are found against the interests of the shareholders and the public at large.
(c) Ensure shareholder participation and protection of investor interests
(d) Enforce performance of duties by the company management
(e) Intervene and investigate matters which are found against the interests of the investors.

3. Foreign Exchange Regulation Act (FERA), 1973: The Foreign Exchange Management Bill was placed in parliament in July 1998, to replace FERA. The Act aims at effective management of foreign exchange in the country. The act provides for authorised dealings in foreign exchange and has provisions for penalties, contraventions and adjudication procedures to regulate foreign exchange transactions.

4. Capital Issues Control Act, 1956 and Securities Control Regulation Act

5. Essential commodities Act, 1974: The Essential Commodities Act, 1955 promises to protect the general public interest for controlling production and ensures the smooth supply and distribution of trade and commerce in essential commodities. Presently, this act is applicable to 18 commodities. Under this act, central government has the power to regulate production of essential commodities, to bring under cultivation any waste land and to regulate control price etc.

6. The Banking Service Commission Act, 1975: The Act provides for setting up a commission for selection of personnel (officers) for nationalised banks.

7. The Industrial Relation Act, 1978

8. The Sick Textile Undertaking (Nationalisation) Act, 1974 : The act provided for nationalisation of 103 sick textile units to enhance supply, production and distribution of cloth at fair price.

9. The Urban (Ceilings and Regulation) Act, 1976

10. The Companies Act, 1974 (Temporary Restrictions on Dividends)

11. Worker's Participation in Management Bill, 1999

12. Sick Industrial Companies Act, 1985: Sick Industrial Companies (Special Provision) Act, 1985, (amended 1993) provides for setting up of Board For Industrial And Financial Reconstruction (BIFR) to exercise the jurisdiction and powers and discharge the functions and duties conferred or imposed on the Board by or under this Act. The act defines a sick industrial unit as, "one which has been in existence for at least than five years, and has the accumulated losses equal to or exceeding its entire networth at end of any financial year."

13. Securities Contract (Regulation) Act, 1956: The Act regulates capital markets, national and local stock exchanges, OTCEI, various issues of the companies, including securities (debt and equity).

14. The Consumer Protection Act, 1986: Basic consumer rights like human rights had been recognised globally. In India, Consumer Protection Act, 1986 encompasses various consumer rights. Section 6 of Consumer Protection Act, 1986 recognises the following rights of consumers:

Right to safety
Right to be informed
Right to choose
Right to be heard
Right to seek redressal
Right to consumer education

15. Industries (Development and Regulation) Act 1951: The government of India introduced the process of registration and licensing to ensure the smooth functioning of industries in India. Within the series of law, it introduced Industries (Development and Regulation) Act, 1951 aiming for a thorough and planned industrial development that included regulation, control and development of industries via registration and licensing. It was declared that licensing comes as a must for establishing a new undertaking and also for manufacturing new article. Licensing was also required for the substantial expansion; however, small scale industries or ancillary units come to be an exception. Even the projects situated in backward zones that carried an investment of Rs. 25 crore were kept apart from the process of licensing.

Q. 3. Discuss salient features of the Consumer Protection Act, 1986.

Ans. Consumer Protection Act, 1986

Introduction

Consumer Protection Act, 1986 provides for protection of consumer interests of consumers and contains provision for the establishment of consumer councils and other authorities for the settlement of consumers' grievances and disputes.

The act was enacted by Parliament in the Thirty-seventh Year of the Republic of India.

Salient features of Consumer Protection Act, 1986

Some of the important features if Consumer Protection Act, 1986 are:

1. It aims at providing overall/holistic protection to the consumers.
2. The Act is applicable to entire, except for the state of Jammu and Kashmir.
3. The Act is applicable to all goods and services, unless explicitly stated by the Central Government.
4. The act protects consumer against defective and hazardous goods, deficient and inappropriate services and unfair trade practices like hoarding, black marketing, insider trading, monopolies; etc.
5. The Act provides redressal of consumer grievances in a simple and inexpensive way.
6. The most important aspect of the act is that it has a set time-frame for settlement.
7. Consumers having common interests and grievances can collectively file complaint, under 'class action' provided under the Act.
8. The Act cover both public and private sector suppliers of goods and services.
9. The Act provides for formation of Consumer Protection Councils, which promote consumer protection under the consumer rights (Section 6, Consumer Protection Act, 1986). It is important that these councils do not have any legal authority under the act and merely facilitate addressal of consumer grievances.

10. The act has a comprehensive definition of services. The considers services of any description rendered/ offered by any individual or organisation, including public sector undertakings or government agency. This excludes free services and contracts of personal services. The following services also donot fall under the purview of the Act:
    (a) Civil amenities provided by municipal authorities.
    (b) Medical services provided by government hospitals.
11. The Act also provides for unfair trade practices like food adulteration, overcharging or short weighing on fixed price items and packaged commodities; etc. Such grievances can be directly taken to District Forums directly.
12. The act is considered as a progressive instance of social welfare legislation. The Act has fortified consumer movement in India. The Act is one of its kinds, as it pertains to market and seeks redressal of complaints arising out the market interactions.
13. The Act is customer-oriented and safeguards the interests of the consumers against unjust and exploitative business practices like selling of defective goods, rendering poor services; etc.
14. The Act provides for a simple procedure for filing grievances. The complaint can be made in a simple form, where the name and address of aggrieved party and opposing party are duly mentioned. The complaint can be written in form of a letter to the Redressal Forum. It is not obligatory for the parties to engage advocate. The act allows the complainant or authorised agent to appear before the Redressal Forum.

Definitions of Expressions Used in the Act

Goods: The Act defines 'goods' as every kind of movable property other than claims and money, and includes stocks, shares, crops, grass and other things attached to or forming part of land which are agreed to be served before sale or under contract of sales of Sales of Goods Act, 1930.

Services: The Act has a comprehensive definition of services. The considers services of any description rendered/offered by any individual or organisation, including public sector undertakings or government agency. This excludes free services and contracts of personal services. The following services also donot fall under the purview of the Act:

Civil amenities provided by municipal authorities.

Medical services provided by government hospitals.

Services include the provision of facilities in connection with banking, financing, insurance, transport, processing, supply of electrical or other energy, board or lodging or both, housing construction, entertainment, amusement or the purveying of news or other information.

Manufacturer: Section 2(1) of Consumer Protection Act defines manufacturer as:

A person who manufactures goods or a part thereof.

A person who assembles parts.

Consumer:

A person who buys any goods for a consideration – It includes a person who buys goods for a consideration or own use or for other user of such goods with the approval of the buyer. This excludes goods bought for resale or commercial use.

A person who avails any service for a consideration-It includes beneficiary of services.

The consideration for goods and services may have been wholly or partly paid or promised in cash or under deferred system of payment.

Person: The Act defines a person as:

A firm (registered or unregistered).

A Hindu undivided Family (HUF).

Association of Person (AOP) [registered or unregistered under the Societies Registration Act].

A Cooperative Society.

Trader: A person who sells, or distributes goods for selling is called a trader, and includes manufacturers and distributors. If the goods are sold/ distributed in packaged form, the term trader also includes the packer of such goods.

Consumer Dispute: Section 2(1) c of Consumer Protection Act defines consumer dispute as a dispute wherein the person against whom compliant has been filed or allegations have been made denies the same.

Defect: Section 2(1) c of Consumer Protection Act defines defect as a fault, shortcoming or imperfection in quality, potency, quantity, purity or standard of the product,

Deficiency: Deficiency corresponds to defects in case of goods. Section 2(1) g of Consumer Protection Act defines deficiency fault, shortcoming or imperfection in quality, manner of performance/ delivery, nature potency, quantity, purity or standard of the product.

National Commission: National Commission is Consumer Disputes Redressal Commission established by Central Government under Section 9(c) of Consumer Protection Act, 1986.

State Commission: State Commission is Consumer Disputes Redressal Commission established by State Government under Section 9(b) of Consumer Protection Act, 1986.

District Forum: District forum is Consumer Disputes Redressal Forum, established by State Government under Section 9(a) of Consumer Protection Act, 1986, in each district of the state. If the state government deems it fit, it can establish more than one district forum in a district.

Restrictive Trade Practices (RTP): Restrictive trade practices prevent, distort or restrict the buying, hiring or availing of goods or services by the consumers. The Act defines restrictive trade practices as one which affect (distort, prevent or restrict) open competition in any manner and in particular:

Practices who prevent capital or resource flow into the production.

Practices which tend to tend to manipulate the prices or delivery conditions or free flow of supplies in the market relating to goods or services in a way that imposes unjustified costs or restrictions on consumers.

There are various types of restrictive trade practices under Section 33 of MRTP that are remittable with the director general. They are:

1. Refusal to Deal: This is an agreement under which there is restriction for the goods to be purchased or sold.

2. Tie-up Sales and full line forcing: This is called as tying arrangement. It is the agreement that requires a purchaser of goods as a precondition of the deal to purchase the other hoods.

3. Exclusive Dealing: This is any agreement that restricts the purchasers during trading to acquire or deal other goods other than from the seller or any other person.

4. Collective Agreement: This is an agreement where the buyers and sellers work jointly to make in huge gains.

5. Discriminatory Dealings: It is the practice of concession granting or benefit granting that also includes allowing of discounts or rebates on certain discriminatory basis.

6. Re-sale Price Maintenance: This is an agreement signed between the buyers and the sellers where the dealers are advised to sell the products either at a minimum price, or a maximum price as asked by the dealers.

7. Territorial Restrictions: This agreement restricts the supply of goods in any particular area.

8. Controlling Manufacturing Process: Under this agreement, there is a complete restriction of employment via any method, machinery or process during the manufacturing of goods.

9. Boycott: This is an agreement where the trader boycotts himself from the trade associations to share certain personal benefits.

10. Predatory Pricing: It is the agreement that asks the dealers to sell the goods at such a price that can eliminate competitors or the competition.

11. Restrictive on class of Suppliers from whom the Products are Purchased: Under this agreement, there is a restriction on number of whole sellers of dealers who are selling the goods.

12. Abstinence from Bids in Auction: This is an act where the concept of abstinence from bidding in auction is encouraged for certain personal benefits.

However, those that are exempted from being registered are:

1. Agreements taking place in J&K.
2. Agreements via undertakings that are exempted under section 3 falling under MRTP Act.
3. The restrictive trade practices that are must for safeguarding rights of patentees.
4. The restrictive trade practices that relate to production, supply or control of goods for exporting.
5. For an agreement, where there is dealing between buyer and seller for making personal gains by consuming the goods on their own.
6. Certain restrictive trade practices approved by central government and agreements to which the central government is also a party.
7. Certain agreements with no substantial economic significance.

Unfair Trade Practices (UTP): Section 36A of Consumer Protection Act, 1986 defines unfair trade practices are practices which for the purpose of sales, use o supply of goods or for the provisions of the services, adopt unfair methods, or deceptive practices. Some of the deceptive practices included under the definition are:

False Representation and Misleading Advertisement: The stated standards, quality, quantity, grade, model, style or composition in an advertisement are not in the actual product.

Product Non: compliance with safety standards

Holding and destruction of goods to create artificial inflation

Conducting promotional schemes or contests to offer gifts, discounts, free product, etc with an intention of not giving them

Baiting

Switch selling

Bargain sales

Unfair Trade Practices have been defined in both MRTP Act, 1969 and Consumer Protection Act, 1986.

No relief to Consumers in Case of Unfair and Restrictive Trade Practice

In case of Restrictive Trade Practices (RTP) and Unfair Trade Practices (UTP), the district forum may order the involved entities to do away from these or ask not to report such cases.

Person who can File a complaint under the Act

A person who can file a complaint under the under can be from any of the following categories:

A consumer (who bought/received certain goods/services).

Group of Consumers having Common Interest/ Grievances or complaints.

Central Government.

Any State Government.

A Voluntary Consumer Association, registered under Companies Act, 1956 or other law in force..

Consumer Protection Councils.

Q. 4. Distinguish between the following:

(a) Public Sector and Private Sector

Ans. The **public sector** means that part of the economy which is concerned with providing basic government services. The composition of the public sector varies by country, but in most countries the public sector includes such services as the police, military, public roads, public transit, primary education and healthcare for the poor. The public sector might provide services that non-payer cannot be excluded from (such as street lighting), services which benefit all of society rather than just the individual who uses the service (such as public education) and services that encourage equal opportunity.

The **private sector** is that part of the economy, which is run by private individuals or groups, usually as a means of enterprise for profit, and is not controlled by the state. By contrast, enterprises that are part of the state are part of the public sector; private, non-profit organizations are regarded as part of the Non-Government Sector (NGOs), a subset of the private sector.

(b) Monopolistic trade practices and unfair trade practices

Ans. Monopolistic Trade Practices (MTP)

A monopolistic trade practice is one in which economic power relating to production and marketing of goods and services is concentrated in hands of a single player, by eliminating potential competitors, limiting technical know-how and development, controlling supply and prices in market, preventing or reducing competition, deteriorating product quality or by adopting unfair or deceptive trade practices.

The act defines, MTP as a trade practice which has or likely to have the effect of:

1. Maintaining the goods prices or service charges at an unreasonable level by deliberate limiting, reduction or otherwise controlling the production, supply or distribution of goods or offering any services.
2. Curbing or lessening competition in the normal supply or distribution of goods or supply of any services.
3. Limiting technical know-how, development or capital investment to the detriment or causing deterioration of quality of any goods produced, supplied or any services rendered, in India.
4. Unreasonably increasing the:
   (a) Cost of production of any goods; or
   (b) Charges for the provision, or maintenance, of services;
5. Unreasonably increasing the:

(a) Prices at which goods are, or may be, sold/ re-sold.

(b) Charges at which the services are, or may be, provided.

(c) Profits which are, or may be, derived by the production, supply or distribution (including the sale or purchase of any goods) or in the provision or maintenance of any goods or by the provision of any services.

6. Preventing or lessening competition in the production, supply or distribution of any goods or in the provision or maintenance of any services by the adoption of unfair and deceptive practices.

Unfair Trade Practice (UTP)

Unfair trade practices have been defined in both MRTP Act, 1969 and Consumer Protection Act, 1986.

Section 36A of MRTP Act defines unfair trade practices are practices which for the purpose of sales, use of supply of goods or for the provisions of the services, adopt unfair methods, or deceptive practices. Some of the deceptive practices included under the definition are:

Unfair practices may be categorised as under:

1. **False representation,** involves making any oral or written statement or representation which:
   - (a) Falsely state that the goods on offer for sale are of a particular quality, quantity, grade, style or model;
   - (b) Falsely state that the services are of particular standard or grade;
   - (c) Falsely state a re-built, second-hand renovated, reconditioned or portray old goods as new;
   - (d) Represents certain sponsorship, approval, association, performance, accessories, uses or benefits which are not available
   - (e) False assertion that seller or supplier has sponsorship or approval or dealership, affiliation which is otherwise not there;
   - (f) Misleading representation concerning need or usefulness goods/ services;
   - (g) Offers warranty or guarantee of the product performance, efficacy or life, which is not based on an adequate or proper test;
   - (h) The representation of the product purposes:
     - (i) Warranty or guarantee on goods or services offered,
     - (ii) Make a fictitious promise to replace, maintain or repair the goods until it has achieved a specified result,
   - (i) Representation misleads about the prices at which goods or services are available in real-market;
   - (j) Representation gives misleading facts on disparaging the goods, services or trade of another person.

2. False Offer of Bargain Price
   - (a) An advertisement states that goods or services are offered at a bargain price, when in real there is no intention that the same may be offered at that price, for a reasonable period or reasonable quantity
   - (b) The 'bargain price', here means that the price stated in promotion or advertisement suggests that it is less than the ordinary price, or
   - (c) The price stated in the advertisement misleads a person to believe that the price offered is less than the price at which goods are ordinarily sold.

3. Free Gifts Offer and Prize Scheme
   - (a) Gifts, prizes or other items are offered along with the goods for 'free', when the real intention is different
   - (b) Creating a false impression that something is being offered for free along with the goods sold, when the price is wholly or partly covered by the price of the article sold itself
   - (c) Prizes are offered in contest, lottery or game of chance or skill, when the real intention to promote sales or business.

4. **Non-Compliance of Prescribed Standards:** Products sold do not comply with stated standards in terms of performance, composition, contents, design, construction, finishing or packing.
5. **Deliberate hoarding, destruction of goods; etc:** Deliberate hoarding or destruction of goods, refusal to sell the goods or provide any services, to create artificial scarcity and elevate market prices.
6. **Baiting,** switch selling and bargain sales

Q. 5. Write Short notes on the following

(a) **Industrial Sickness**

Ans. Sick industrial company is identified as an industrial company that has accumulated losses equal to or exceeding its net worth at the end of any financial year.

Rapid industrialisation and changes in economic policies requires changes in the way companies do business. Failure to change as per the changes in the external environment, leads to operational inefficiencies, revenue losses, decline in profitability, failure in debt repayment, all of which are indicators of a sickness of a unit.

Nature Of Industrial Sickness: The term sickness with reference to industrial units indicates malfunctioning.

The survival of a sick unit is doubtful, unless appropriate remedial and recovery measure are taken.

Industrial sickness is not an unnatural phenomenon.

Sick Industrial Companies (Special Provision) Act, 1985, (amended 1993), defines a sick industrial unit as, "one which has been in existence for at least than five years, and has the accumulated losses equal to or exceeding its entire networth at end of any financial year."

Weak units or potentially sick units, as these are alternatively called, are defined as industrial units which had at the end of any accounting year, accumulated losses equal to more than 50 per cent of peak networth during preceding four years. It is used as an indicator for revival and recovery of the sick unit.

INDICATIONS OF SICKNESS

Limitations of Financial Indicators of Sickness

There are two main limitations of use of financial indicators-

1. Financial information available in annual reports is not completely reliable.
2. Financial indicators give clue about sickness which has already set in, and hence these cannot be used as early signs of sickness (incipient sickness).

   Due to the above stated limitations of financial indicators, the need of identifying management deficiencies and other non-financial factors as indicators of early industrial sickness has been emphasised.

Predictability of Sickness Based on Early Warning

Incipient sickness and other non-financial indicators can be used as early indicators of industrial sickness. The non-financial indicators include defects and mistakes

Defects

There are three broad categories:

1. Management Defects
2. Accounting System Defects
3. Inadequate response to changes in technology, market trends; etc

Management Defects include the following:

1. Autocratic (Dictatorship) Style of Management
2. Incompetent Board of Directors
3. Weak Financial Function at Top Level
4. Poor Quality of Management at Middle and Bottom Level
5. Lack of Management Control and Implementation of Plans/Strategies
6. Lack of response to Environmental Changes
7. Unbalanced Board Structure and Composition

Mistakes: There are three broad categories of mistakes -

1. Company expands its operations without working capital
2. Debt-equity ratio is too high
3. Project size is too large to match the company capability and capacity

WeighTage Assigned to Various Categories of Indicators

Indicator	Per cent
Defects	43
Mistakes	45
Other Symptoms	12
	100

Calculation of Sickness on Basis of Indicators

1. Assign points to each category of defects, mistakes and other symptoms, with 45% weighted for mistakes, 43% for defects and 12% for other symptoms.
2. Calculate Weighted Average Score for company. The score can be used as an indicator of sickness or forewarning signal of failure.

Though the above approach is logical, it has some practical limitations - to assign score to various defects and mistakes, one requires considerable insider information. This type of information is usually not available with ordinary shareholders, investors and creditors.

Use Of Financial Ratios As Early Warning Signals

Financial ratios can be used as indictor of impending business failure. These ratios include:

1. Working Capital to Total Asset Ratio
2. Retained Earnings to Total Asset Ratio
3. Earnings before Interest and Tax (EBIT) to Total Asset Ratio
4. Market Value (Equity) to book Value (of Total Debt Ratio)
5. Sales to Total Asset Ratio

Some of the important financial ratios which have been found to be good indicators of unit's sickness in Indian context include:

1. Profitability Ratios: These are best indicators of industrial sickness in Indian context, and include:

(i) Earnings before depreciation, interest and taxes to sales ratio

(ii) Operating cash flows to sales units

2. Ratio of earnings before depreciation, interest and taxes to total assets plus depreciation.

3. Operating cash flows to total assets plus accumulated depreciation ratio

4. Solvency Ratios:

(i) Net worth to total debt ratios

(ii) Total external liability to tangible assets ratios

Ratios for Small Scale Industrial Units: The following ratios as considered as reasonable indicators for small scale industrial units:

2. Liquidity Ratio (Liquidity Ratio = Current Asset: Current Liability)
3. Stock in Trade: Cost of Goods Sold
4. Current Asses: Net Sales ratio
5. Net Profit Before Tax (PBT) to total Capital Employed
6. Net Worth: Total External Liabilities

***(b)* Role of small scale sector in national economy**

Ans. The small scale units are defined in terms of initial investment made in the fixed assets in form of plant, machinery, land; etc and the employment criteria. Under the industrial policy of 1997, a small scale unit has been defined as an industrial unit where the initial investment is Rs. 30 million or above. A tiny unit is an industrial establishment where the investment and machinery cost is below or equal to Rs. 25 Lahks.

Significance of Small Scale Sector in India: Small scale sector plays a critical role in the economy. The sector provides employment, helps in dispersal of industries and promotes entrepreneurship. The significance of small scale sector is outlined below.

1. The sector in mobilising potential, unutilised and under-utilised resources and thus bring idle savings into productive use.
2. The sector helps in growth of dynamic and efficient entrepreneurs.
3. It provides employment to a large section unskilled or semi-skilled people.
4. Unlike large industries and corporate house are usually based in metros and large towns, these small scale units are based in rural and small district areas. This helps in providing employment to local people and reducing emigration, regional disparities and differential regional growth.
5. These units are considered to be more innovative and productive as they have autonomy.
6. These units help in improving overall task efficiency, reduce product cost, improve product quality and reach wider customers by adopting new affordable computer technology.

7. These units quickly change products as per the changes in the people preferences and tastes.
8. The production on small scale involves less risk and requires comparatively less capital.
9. These units are considered as 'symbol of national identity', because these units are locally owned and controlled. These help in fortifying the culture and tradition of the country. For example, handicrafts and local forms of arts are one of the best examples of small scale industries.

Growth of Small Scale Sector in India

The changes in the government policy over from time to time have given a boost to SSS and enabled its growth. The sector has witnessed significant growth in the post independence era, and has emerged as a prominent sector in the economy. The growth of small scale sector can be measured in following terms:

1. Increase in production level
2. Increase in employment
3. Increase in exports
4. Increase in capital infusion/investments
5. Increase in number of industrial units

Over the years, the sector has seen significant growth in terms of employment, investment and increase in the number of industrial units. The number of small scale industrial units rose from 8.74 lakhs in 1980-81 to 22.35 lakhs in 1992-93. The investment rose from Rs. 28,060 crores to Rs.2,09,300 crores during the same period, while the employment rose from 71 lakhs to 134 lakhs.

During the same period, the contribution of small scale industries has increased considerably. Some of the major industries contributing to exports include, textiles, jute, ready made garments, marine products, gems and jewellery, leather products, hosiery and handicrafts.

***(c)* Causes of balannce of payments deficit**

Ans. The main reasons behind increasing BOP deficit are as follows:

1. **Rising Trade Deficit:** Over the years, imports have increased without lateral increase in exports, widening the trade deficit/gap, leading to trade deficit. The increased import intensity due to increased globalisation, without substantial growth in exports has caused incremental increase in the trade deficit.
2. **Service Deficit:** The surplus on account of invisibles has been declining. India has been earning considerable surplus on account of trade in invisibles, which includes remittances from Indian working aboard, government transfers and surplus on travel services.
3. **Burden of External Debt:** External debt burden on government has been increasing over the years. The debt burden rose to $10.5 billion in 1994-95 from $ 7.6 billion in 1989-90. The share of short-term commercial borrowings (at market rate of interests) against NRI deposits and ODA (Official Development Assistance) has been also increasing. Increase in interest rates has increased the debt liability further.
4. **Less possibility of getting concessional aids:** During the early phase of economic development, current account deficits were funded by multilateral and bilateral sources. However, in later eighties, current account deficits were increasing and concessional sources were waning.

Measures to reduce trade deficit

The government has taken several measures to reduce the trade deficit. Broadly, these measures aim at encouraging exports and reducing imports at the same time. Some of these measures are mentioned below:

Several measures have been taken to increase the technical strength and efficiency of various sectors of economy (agriculture, industry and services) to attain international competitiveness and quality standards, as it would help in increasing the exports.

All offices of Director General of Foreign Trade (DGFT) have been computerised for procedural simplification and speedy settlements. The government has provided privileges to Export Oriented Units (EOUs) units, Export Promotion Zones (EPZ) units, STP units and EHTP units for importing all types of goods free from duty. Goods which are not on Negative List of items can be imported without any restrictions. Some of the goods are capital goods, raw material, components, accessories, spare parts, instruments and other goods. The Special Import Licence is a permit granted to exporters to import consumer goods which are otherwise on restricted list. The government encourages exporters and manufacturers to attain international standards for products exported.

The Central government also undertakes programmes to create quality awareness and works for the upgradation of manufacturing facilities and laboratories to level them up to International Standards. The concept of Total Quality

Management (TQM) has been promoted. Similarly, private bonded warehouse for stationing export-import goods can be set up in Domestic Tariff Area (DTA). The Duty Exemption Scheme is a scheme for Indian exporters. It comprises of Duty Free Licence and Duty Entitlement Pass Book which provide various duty relaxations and credit facilities to exporters.

***(d)* Assessment of new economic policy**

Ans. Critical Assessment of New Economic Policy: The New Economic Policy was concentrated mainly on short-term objectives like exchange rate control, building up of foreign exchange reserves, reduction of fiscal deficit, inflation control, GDP growth; etc. Many of these objectives have been realised.

However, the policy has not been able to achieve long-term objectives of full-employment, reduction of poverty, reduction of income inequalities, and achievement of social justice.

Assessment with Respect to Short Term Goals

1. The adoption of New Economic policy has helped in increasing rate of GDP growth. GDP rose from 0.8 per cent in 1991-92 to 7 per cent for the period from 1994-95 to 1996-97.
2. Rise in Gross rate of return on Capital - Fear of privatisation due to underperformance of public sector units has caused increased efforts to improve these undertaking. In 1995-96, the gross rate of return was recorded at a high of 16.1 per cent.
3. The new economic policy has helped in controlling Wholesale Price Index. The WPI declined to 4.6 per cent in 1995-96 from 13.7 per cent level in 1991-92 (at 1981-82 prices)
4. The foreign exchange reserves increased to US $ 25.4 billion (July 4, 1997) from US $ 2.24 billion in 1990-91. This improvement has increased credibility of Indian economy in international markets.
5. The industrial production index rose to 11.8 per cent, in 1995-96 from merely 0.6 percent in 1991-92.
6. Increased production has helped in increased export of surplus to other countries. Exports rose to 20.8 per cent in 1995-96 from 3.8 per cent in 1992-93 (in US Dollars).

Assessment with Respect to Long Term Goals

1. The New Economic Policy concentrates mainly on large corporate sector, ignoring small scale industries and agriculture sectors which on which large population depend. Hence, the policy must stress on development of small scale and agriculture sector to ensure long-term and sustainable growth and development of the country.
2. The policy seeks foreign investment in several sectors of economy. However, foreign investors have been investing selectively in certain sectors, ignoring others. Also, sectors like transport, power, roads, and telecommunications were not open foreign participation till 1997.
3. The rate of Consumer Price Index (CPI) has increased over the years. The policy must be revised to control rate of inflation, as it is in the interests of common man.
4. The New Economic Policy has not been able to achieve any tangible targets in term of privatisation due to strong resistance from labour unions.
5. Government has disinvestment mostly in healthy industrial units and more so to reduce the fiscal deficit, which is unjustifiable.
6. The implementation of new economic policy has not helped in reducing fiscal deficit. Non- plan expenditures have been not reduced. The policy has raised the limits for tax-concessions, while efforts to persuade tax-evasions have not been adequate.

Hence, the New Economic Policy must be re-oriented to broaden its scope, increase private participation and decrease excessive dependence on foreign capital infusion