CHAPTER-V  LPG MODEL: AGRO BASED INDUSTRIES & RURAL EMPLOYMENT

About LPG Model

Liberalisation, Privatisation, Globalisation (LPG) has become the dominant model of growth and development around the world since the mid-1990s, affecting all walks of life, in particular, the economy of nation states. The term ‘globalisation' refers to the multiplicity of linkages and growing interconnectedness between States and societies leading to the integration of interstate and non-state activities in several spheres across the globe. Two decades of economic reforms have thrown up mixed results and varied points of view. Even though LPG brought benefits to a few, majority of the people were not covered, especially in a developing country like India, which in turn prompted policy makers and scholars to think aloud and look for better alternatives.

In 1947 when India got freedom, the main problem before the government was to develop economic conditions of country and how to increase economic Growth. Economic condition of India in that time were net good, we did not have proper resources for the development of underdeveloped sector. Thus our government adopted the path of economic planning that is on the basis of priorities the different ‘Five year plans’ were developed. Under the dogma of the socialistic pattern of society, India had practiced a number of restrictions ever since the introduction of the first industrial policy resolution of 1948. Hence it was necessary on the part of Government withdraw these restrictions to provide conditions of undeterred economic activities, when we decided to globalize our economy. Under the process of liberalisation, India has moved in that direction by withdrawing some of the impeding restrictions, and introducing certain conditions to ease the cord of restrictions, so that business firms and individuals from other countries may be induced to operate their business in India, while Indians can operate abroad.

Need for Liberalisation

As a result of the restrictions in the past, India’s performance in the global market has been very dismal; we have never reached even the 1 percent mark in the global market. Despite the existing tremendous potentiality, vast natural resources, and extensive trained manpower, our contribution in the world trade in 1992 has been
0.53 percent, much below the level of even Thailand, and we are listed among the poor countries in the world. Though the planned economic growth backed by control could achieve some amount of economic reconstruction in the last five decades, India still remains underdeveloped with low NNP, chronic unemployment, low per capita income, a considerable percentage of population under the poverty line, low capital formation, marginal export backed by increasing import resulting in increasing trade deficit, acute decline of foreign exchange reserve, mounting foreign debts and high debt service cost, low level of technological base, grave internal economic situation, poor external economic image and insignificant innovations, unless appropriate solutions are not found for all these problems, the vicious circle of underdevelopment will remain for many years to come.

As a primary step to find solutions to these problems, liberalisation has been identified. The Government under Former Prime Minister Narasimha Roa, and former Finance Minister Dr. Manmohan Singh chase the Path of liberalisation. Immediate factors which backed this policy change include (i) Global change, (ii) Position of Indian Economy and (iii) Trade deficit.

**Global Change**

The tremendous change that took place globally in the recent past, particularly during the last one decade necessitated every nation to incorporate corresponding changes in its respective economy to adopt itself to the rapidly changing environment, countries started thinking in terms of the global economy and global market. European Economic Community has become the largest single market in the world, while Gulf war has opened up a door for increasing cooperation and integration of EEC community with America. The United States and Canada have already forged an integrated for trade zone. Despite a large trade surplus, Japan is still accepted as a strong trading partner of America, while the united States have granted the ‘Most Favoured Nation’ status to China. In a nutshell a global philosophy of business is fast emerging and is here to stay.

No country can now resist the forces of globalisation and the resultant changed that take place globally Asia-Pacific block is also fast emerging, while an Asian common market philosophy is gaining ground, particularly in the context of the successful business operations of the countries like Japan, Singapore, South Korea, Taiwan and
Hong Kong. It is, therefore, obvious that India has to rise to the occasion and adopt a policy to adapt itself to the emerging global market. This called for the abandonment of the restrictive policies followed in the past. Liberalisation of economic activities in India was considered to be the most important remedy for our economic ills. Moreover, the tremendous result of economic liberalisation in China during a period of less than a decade has been an eye-opener for India.

Thus not only India, but any country that wants to operate in the global market, has to liberalize its economy and foster a global approach to boost its business. A global business and market philosophy is, thus fast emerging. Countries are, therefore, relaxing their control and regulatory measures. Privatisation of business has become the order of the day. Unless the companies are prepared to foster and maintain a global corporate philosophy, and to update their capability either to compete or remain complementary or ancillary, survival would become difficult. Of late, this fact is realised by India which led to initiating liberalisation. Fast changes are Emerging in business globally, particularly, technological changes, social, political, environmental, cultural, geographic and most important of all economic changes. In order to equip the business organization in India to stand up to these changes, a liberalisation process has become necessary.

**Position of Indian Economy**

Indian has been facing grave economic crisis and external pressure for foreign exchange, while there was an internal debt trap which continued from 1986 onwards backed by severe liquidity crisis. We were almost on the brink of defaulting international arena when Narasimha Rao’s Government took over in June 1991. This must have created panic in the minds of NRIs who took away deposits amounting to about 1.4 billion US dollars.

The country landed in the grip of internal and external debt traps. The foreign exchange crisis was stimulated by long-term and short-term foreign debts, short-term foreign debts when a country’s repayments capacity is inadequate, are just like sudden death traps in relation to economy. No more foreign borrowings were possible. The country’s monetary system, particularly the foreign exchange situation, was in a very disastrous footing Dr. Manmohan Singh, the then Union Finance Minister (also an economist) had a great task to introduce ways and means for the
recovery of the ailing monetary system. Changing of exchange rate structure was, therefore, the first weapon in his hands.

While foreign exchange reserves were not sufficient enough even for a few weeks, imports of essential goods were inevitable, particularly due to shortfall of industrial and agricultural production. Any imports cut would have crippled the economy including the transport system of the country. The country had, therefore, to attract foreign exchange on the one hand, and increase exports backed by decrease of imports on the other. Liberalisation was one of the weapons for this purpose. Developing an industrial base and increasing the industrial production were immediately required, especially in the face of a declining economic trend. We were also in need of latest technology base, greater innovation, capital formation, greater employment opportunities for our vast majority of the unemployed manpower, latest technical know-how to suit the global market, and inflow of foreign capital. Without an appropriate liberalisation, Foreign investors were unwilling to invest in India, which was necessary for reducing external indebtedness too. The effect of increasing the inflow of foreign capital included (a) increasing production and export of goods, (b) increasing production of goods for import substitution (c) reducing external, (d) improving the quality base of the goods and services to global standards and (e) increasing the overall economic activities in the country. Indian had looked up with great expectations from its public sector units in the past. Unfortunately many of these public sector units turned themselves to be white elephants exerting tremendous pressure on the exchequer and accumulating losses. These units with high investment had low productivity, which were either to be made viable or to be disinvested. Liberalisation was the best option for this purpose.

Strong regulations and restrictions on the private sector had considerably affected industrial growth in the past, which was already noticed. Hence Mrs. Indira Gandhi’s Government and Mr. Rajiv Gandhi’s Government had initiated certain steps for liberalisation and building up a sound technology base. Mr. Narasimha Rao’s Government had to further pursue it. Sufficient protection was give to the Indian industrial sector for over four decades, and further protectionism must have retarded the economic growth-calling for a liberal path towards good economy trends so that Indian industries would grow stronger.
Trade Deficit
Incising trade deficit has been an abounding characteristic of the Indian economy ever since its political independence. In fact, political independence failed to enhance concomitant economic independence. India’s share in the world market has been very negligible, while the import bill has been exceedingly growing. India’s trade balance in 1990-91 was negative (-3 percent of GDP) which became more negative in later years. The trade balance in 1995-96 stood -3.2% of GDP. In 1999-2000 country’s trade balance was -0.4% of GDP (Negative 4% of GDP): It was -2.1% and -2.5% respectively in 2002-03 and 2003-04.

The Path of Liberalisation
The path of liberalisation accepted to dismantle the walls of restrictions in India which has been multi-pronged. First of all, the Government has to release the economy from the restrictive rules and regulations framed by the bureaucratic minds in the garb of the socialistic pattern of society, which retarded economic growth for the past four decades. Then India needed to establish a very different image, the image of a market oriented economy, in the eyes of the foreign governments and investors, besides sustaining a private sector friendly image within the country. On the other hand, Government of India needed to be successful in effectively checking the twin problems of unemployment and inflation. The real task before the Government is two-fold, viz., firstly to win the confidence of the foreign investor, and secondly to allay the fears of the Indian public about the entry of the foreign investors into India in a big way and the Government’s capability (rather willingness) to effectively check the problems of inflation and unemployment.

When globalisation has become the order of the day, nations have adopted the path of liberalisation. India could not isolate itself from this trend. It was, therefore, appropriate on the part of Government of India to institute and implement a strategy for economic liberalisation.

The LPG model of development which was introduced in 1991 by the then Finance Minister Dr. Manmohan Singh with a big bang was intended to charter a new strategy with emphasis on liberalisation, privatisation and globalisation. (LPG) Several major changes at the domestic level were introduced. Firstly, areas hitherto reserved for the public sector were opened to private sector. The Government
intended to transfer the loss-making units to the private sector, but it failed because there were no takers for them.

Instead, the Government started disinvestment of the highly profit-making PSUs and the proceeds were used to reduce fiscal deficits. Thus, due to various social constraints the Government could not carry forward its programme of privatization. However the success of Government in liberalizing the economy to the private sector – both domestic and foreign, is remarkable.

Secondly, by permitting the private sector to set up individual units without taking a licence, the Government removed certain shackles which were holding back or delaying the process of private investment. Thirdly, by abolishing the threshold limit of assets in respect of MRTP companies and dominant undertakings, the Government freed the business houses to undertake investment without any ceiling being prescribed by the MRTP Commission.

Obviously, considerations of promoting growth were more dominant with the Government and such issues as concentration of economic power were assigned a back seat. Fourthly, with a view to facilitate direct foreign investment, the Government decided to grant approval for direct foreign investment upto 51 percent in high priority areas. The Government could also consider proposals involving more than 51 percent equity, but such proposals would require prior clearance of the Government. No permission was required for hiring foreign technicians, foreign testing of indigenously developed technologies, etc.

Fifthly, chronically sick public sector enterprises were referred to the Board for Industrial and Financial Reconstruction (BIFR) for the formulation of revival/rehabilitation schemes. A social security mechanism was introduced to protect the interests of workers likely to be affected by such rehabilitation packages. Sixthly, to improve the performance of public sector enterprises, greater autonomy was given to PSU managements and the Boards of public sector companies were made more professional.

Lastly, the economy was opened to other countries to encourage more exports. To facilitate the import of foreign capital and technology and other allied imports, reduction in import duties and other barriers were brought about. LPG Model of
development emphasises a bigger role for the private sector. It envisages a much larger quantum of foreign direct investment to supplement our growth process.

It aims at a strategy of export led growth as against import substitution practised earlier, It aims at reducing the role of the State significantly and thus abandons planning fundamentalism in favour of a more liberal and market driven pattern of development. Critics have pointed out certain fundamental weaknesses of the LPG Model of Development.

- This has a very narrow focus since it largely concentrates on the corporate sector which accounts for only 10 percent of GDP.
- The model bypasses agriculture and agro based industries which are a major source of generation of employment for the masses. It did not delineate a concrete policy to develop infrastructure. Financial and technological support, particularly the infrastructural needs of agro-exports.
- By permitting free entry of the multinational corporations in the consumer goods sector, the model has hit the interests of the small and medium sector engaged in the production of consumer goods. There is danger of labour displacement in the small sector if unbridled entry of MNCs is continued.
- By facilitating imports, the Government has opened the import window too wide and consequently, the benefits of rising exports are more than offset by much greater rise in imports leading to a larger trade gap.
- Finally the model emphasises a capital intensive pattern of development and there are serious apprehensions about its employment-potential.

It is being made out that it may cause unemployment in the short run but will take care of it in the long run. But how long; the long-run is not specified. Moreover, an economy in which the growth of labour force is taking place at the rate of about 1.8 percent per annum, the implications of the model in terms of slowing down the rate of growth of employment are of serious nature.

Some have argued that the LPG Model has followed the East Asian Miracle which was demonstrated by Japan, South Korea, Taiwan and to some extent Indonesia, Malaysia and China. This is not correct. Japan did not follow the IMF-World Bank Model based on free market economy, open door policies and liberalisation. Japan, in fact, practised limited operation of market mechanism with the State playing an
active role in guiding the economy for the welfare of the community. This independent path followed by Japan was imitated by South Korea and Taiwan. Malaysia and Indonesia also succeeded on this path for a few years.

The Chinese growth model, for instance, is rooted in its own traditions and its decision to globalise is motivated by the desire to use foreign markets as an instrument to resolve numerous internal bottlenecks.

China still follows the path of self-reliance, though it is not a closed economy. For China self-reliance is the ‘motor of growth’, and China has experimented a simple balanced two-way flow of goods and services and capital with the rest of the world. Chinese Model, therefore, cannot be classified as a neo-classical liberalisation model. It is a model of its own kind which combines an open economy with self-reliance and avoids an excessive dependency syndrome.

LPG Model has followed the IMF-World Bank prescription of stabilisation and structural adjustment. When considered in the light of the experience of Latin America, Africa and East Asian Countries, it raises serious doubts in the minds of the people whether we are following the correct path of development. Dudley Seers has rightly suggested three parameters by which the stage of development of a country can be measured. They are: what has been happening to poverty? to unemployment? And to inequality? The experience of a decade or more of LPG Model does not provide conclusive evidence of substantial improvement of these parameters. Rather some of them have become worse.

**Agro based Industries & Foreign Trade**

India as a land bestowed with unique advantages like 50% arable land, 15 major climatic zones and 40 major soil types. So, the country should ideally be a leading agro export country, but it is ranked 20 on the list with a share of just 1.5% of the $800 billion world agricultural market. However, India has a huge untapped potential and could emerge as the food hub of the world if the major problem of food supply chain was addressed.

**Export Competitiveness of India’s Agricultural Products**

India has a competitive advantage in several commodities for agricultural exports because of near self-sufficiency of inputs, relatively low labour costs and diverse
agro-climatic conditions. These factors have enabled export of several agricultural commodities over the years such as marine products, cereals, cashew, tea, coffee, spices, oil meals, fruits and vegetables, castor and tobacco. For certain commodities like Basmati Rice, India have a niche market access in spite of competition.

The ten most important agricultural products that currently cover more than 80 per cent of the trade in the world market are coarse grain, cotton, rice, soybean, sugar, spices, tea, tobacco, vegetable oil and wheat, commodities in which India has a dominant production. Apart from these, fruits and vegetables (the second largest producer with 150 million tonnes), spices (world’s largest producer, with over 3 million tonnes) milk (being the largest producer with 91 million tonnes), poultry (5th largest with 842 million) meat products (with 417 million livestock, the largest in the world), fisheries (8000 km of coastline; 7th largest producer with 6 million tonnes) offer tremendous potential for export. Horticulture occupies about 12 million ha, which accounts for about 7 per cent of the total cropped area. The annual production is about 150 million tonnes. India’s share in world production being nearly 10 per cent in fruits and 14 per cent in vegetables.

India produces 50 per cent of world’s mangoes, 19 per cent of banana, 36 per cent of cashew nut, more than 10 per cent of onion, 38 per cent of cauliflower, 28 per cent of green peas, etc. Despite all this, our share in the world exports of fruits and vegetables is only about 1 per cent. And it is only about 2 per cent of the fruits and vegetables produced in the country is processed and there is considerable potential to increase it to about 10 per cent.

An area that emerges as highly potential for exports in the years ahead, among the agricultural exports, is the processed food products. The export of fresh fruits and vegetables and processed fruits and vegetables continue to remain a mere 6 per cent of the total value of exports, despite the institutional support to boost their exports, though there are indications of a steady rise in their exports. Processed items include fruit pulps and Concentrated pulps, juice concentrates canned fruits and vegetables, dehydrated vegetables and frozen fruits and vegetables. The level of processing in our country is very low and varies from sector to sector, and is estimated at 2 per cent in case of fruits and vegetables. Even in developing countries such as Malaysia (80 per cent) and Thailand (30 per cent) it is very high. Similarly, value addition in
India is estimated at 7 per cent as compared to 45 per cent in The Philippines and 23 per cent in China.

Within the country, there are wide variations in productivity levels. Punjab, Haryana, Andhra Pradesh, Tamil Nadu and Kerala may have attained productivity levels of a world standard. But other regions are way behind. Thus the issue of competitiveness is also region specific. A regionally differentiated strategy, taking into accounts the agronomic, climatic and environmental conditions is, therefore, sought to be pursued to realize the full potential of yield in every region.

Comparative advantage, in itself, is a relative concept and it depends upon the relative changes in the international market. A major difficulty faced by India in the international market is the high level of subsidies given by developed countries for their agri-exports. Hence, it is imperative to evolve concrete strategies to make Indian agriculture competitive and enhance its efficiency. For this purpose, on the one hand, we should be seeking substantial reduction in the support given to agriculture by developed countries, on the other hand, Indian agriculture would also require to be supported to maintain and improve its competitiveness.

The annual increase in India’s exports on account of WTO and the enlarged market share is estimated to be US$1.25 billion, marginally less than what has been estimated by the Ministry of Commerce at US$ 1.5 billion to 2 billion. A study carried out by National Council for Applied Economic Research (NCAER) which had covered 17 agricultural commodities had rated rice, banana, grapes, sapota and litchi as highly export competitive. Raising the level of productivity and quality standards to internationally competitive levels is one of the major challenges following the dismantling of quantitative restrictions on imports, as per the WTO Agreement on Agriculture. For several commodities, our national productivity is less than the world average. There is potential for enhancing crop productivity and thereby increasing agri-export.

India’s foreign trade is deeply associated with agriculture sector. Agriculture accounts for about 14.7% of the total export earnings. Besides, goods made with the raw material of agriculture sector also contribute about 20% in Indian exports. In other words, agriculture and its related goods contribute about 38% in total exports of country.
Table 61: Export of Principal Commodities Groups (Values in Rs. Crores) Year 2012

<table>
<thead>
<tr>
<th>Commodity</th>
<th>Apr-Jan 2011</th>
<th>Apr-Jan 2012(P)</th>
<th>%Growth</th>
<th>%Share</th>
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<tr>
<td>Plantation</td>
<td>4,863.45</td>
<td>6,853.24</td>
<td>40.91</td>
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<td>Agri &amp; Allied Prdts</td>
<td>61,951.18</td>
<td>1,02,539.76</td>
<td>65.52</td>
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<td>Marine Products</td>
<td>9,876.19</td>
<td>14,377.58</td>
<td>45.58</td>
<td>1.24</td>
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<td>Ores &amp; Minerals</td>
<td>38,909.82</td>
<td>32,408.59</td>
<td>-16.71</td>
<td>2.81</td>
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<tr>
<td>Leather &amp; Mnfrs</td>
<td>14,009.05</td>
<td>19,227.21</td>
<td>37.25</td>
<td>1.66</td>
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<td>Gems &amp; Jewellery</td>
<td>1,19,672.56</td>
<td>1,77,291.51</td>
<td>48.15</td>
<td>15.35</td>
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<td>Sports Goods</td>
<td>615.9</td>
<td>776.26</td>
<td>26.04</td>
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<td>Chemicals &amp; Related Products</td>
<td>1,13,552.95</td>
<td>1,54,148.75</td>
<td>35.75</td>
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<td>Engineering Goods</td>
<td>2,09,722.23</td>
<td>2,26,960.60</td>
<td>8.22</td>
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<td>Electronic Goods</td>
<td>31,253.09</td>
<td>35,697.23</td>
<td>14.22</td>
<td>3.09</td>
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<td>Project Goods</td>
<td>255.95</td>
<td>217.55</td>
<td>-15</td>
<td>0.02</td>
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<td>Textiles</td>
<td>82,543.89</td>
<td>1,06,365.11</td>
<td>28.86</td>
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<td>Handicrafts</td>
<td>851.54</td>
<td>874.19</td>
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<td>0.08</td>
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<td>Carpets</td>
<td>3,848.49</td>
<td>3,322.30</td>
<td>-13.67</td>
<td>0.29</td>
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<td>Cotton Raw Incl Waste</td>
<td>10,091.65</td>
<td>16,696.00</td>
<td>65.44</td>
<td>1.45</td>
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<td>Petroleum Products</td>
<td>1,48,717.83</td>
<td>2,29,180.14</td>
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<td>19.85</td>
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<td>Unclassified Exports</td>
<td>38,526.33</td>
<td>27,913.56</td>
<td>-27.55</td>
<td>2.42</td>
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<td>Total</td>
<td>8,89,262.10</td>
<td>11,54,849.61</td>
<td>29.87</td>
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Data Source: DGCIS, Kolkata - NIC: Department of Commerce: System on Foreign Trade Performance Analysis (FTPA)

**Agro-products export promotion measures**

Recently Government initiated a number of measures to increase export of agro based products. Some of them are given below:

- The Corporate sectors with proven credentials are encouraged to sponsor Agri Export Zone for boosting agro exports. They may provide for pre/post-harvest treatment and operations, plant protection, processing, packaging, storage and related Research & Development.

- Duty Entitlement Pass Book (DEPB) rate for selected agro products would factor in the cost of pre-production inputs such as fertiliser, pesticides and seeds.
• Agriculture/Horticulture processing SEZ units are now allowed to provide inputs and equipment to contract farmers in DTA to promote production of goods as per the requirement of importing countries. This is expected to integrate the production and processing and help in promoting SEZs specializing in agro exports.

• Agriculture/Horticulture processing EOUs are allowed to provide inputs and equipment to contract farmers in DTA to promote production of goods as per the requirement of importing countries. This is expected to integrate production and processing and help in promoting agri-exports.

Major Constraints of Agri-Export Sector

• Lack of a broad raw material base in terms of the kinds and varieties of fruits and vegetables suitable in all respects for processing and their availability in commercial quantities at prices economical to the processing industry. Invariably, the cost of the raw material is high.

• Low productivity and poor quality of the produce as compared to the very high levels obtained in the advanced countries affect processing and none of the processing units work to full capacity utilisation. Much of the produce taken up for processing is devoid of the quality attributes or characteristics required for processing.

• Despite the WTO and the Agreement on Agriculture (which focuses primarily on reduction of tariffs, increased market access, reduction in Aggregate Measure of Support in the form of subsidies) subsidies continue as a result of which the expected gains have eluded developing countries like India.

• Imposition of non-tariff barriers like sanitary and phytosanitary (SPS) conditions on imports from developing countries. Lack of awareness and knowledge about the SPS measures and quality standards required to be adopted by the processing industry and exporters.

• Fruits and vegetables are generally constrained by poor price support, credit support and delivery system which affect processing.

• The quality of packaging is poor. Importing countries demand specific packaging for each produce and the use of bio-degradable materials resulting in high cost of packaging.
• The emergence of trading blocks in Asia, Europe and North America has also considerably affected India’s agri-export trade.

• Due to poor infrastructure in handling, transport, marketing and processing, horticulture, as an industry, has not grown in our country. Poor infrastructure, particularly transportation, road networks, and freight and cargo facilities, cold storage facilities, etc., coupled with inadequate post-harvest management affect the produce and products.

• Inadequate supply of power, water and research and development support add to the constraints.

• The freight rates in India are reported to be around 50 to 100 per cent higher than those prevalent in some other countries which does very little to improve our competitiveness.

• It is the residual rather than the fresh produce that is often taken up for processing, which has a bearing on quality.

• Lack of a proper marketing strategy geared to meeting the raw material requirement of processing units and ensuring a sustainable export market for the processed products.

• Poor and inconsistent quality of processed products and inadequate export promotion are some of the constraints plaguing the processing industry.

**Suggestions for Promoting Exports**

**Infrastructure Development**

A major impediment to promoting exports is the lack of adequate infrastructure, particularly cold storage facilities and transportation. There is need to encourage public-private partnership in building such facilities and ensuring their proper maintenance. There is no dearth of financial assistance as there are several incentives being provided by Government of India under its capital investment subsidy scheme as well as those available under the schemes envisaged by APEDA. Concerted efforts need to be made in this direction in collaboration with commercial banks.

**Marketing Strategy**

In the new scenario where all the quantitative restrictions have now been removed and there is increased opportunity for the developing countries to have access to global markets, it is imperative that a marketing strategy is worked out, focusing on
major items of import by countries and to concentrate on such products using the comparative advantage. The countries in the European Union, African countries and the CIS countries need to be given greater attention.

**Contract Farming**

Contract farming needs to be encouraged not only to provide a broad base for raw materials for processing but also for the supply of the right type of inputs and other linkages necessary for the acceptability of the quality standards for competitive exports.

**Human Resources Development**

There is also a vital need for human resources development and to train the exporters about the quality standards and the sanitary and phytosanitary measures that need to be complied with.

**Market Access and Information**

There is a need to provide continuous updating of data on market information, market access, procedures and processed etc.

**Biotechnology**

India has been recognised as one of the five top biotechnology leaders in the Asia Pacific region. In terms of number of patents filing, India ranks third in Asia. Biotechnology, leads to reduction in cost and improvement in productivity. Given the low-cost but high calibre work force, there is a need to optimal utilization of intellectual and biological resources with a view to bringing costeffectiveness in production.

**Trade Related Intellectual Property Rights**

India should launch genetic and legal literacy movements immediately to sensitise panchayats and rural families on the implications of the protection of plant verities and Farmers Rights Act 2001 and Biodiversity Act 2002, since they contain provisions for recognizing and rewarding the contributions of the primary conservers of biodiversity and holders of traditional knowledge.
Credit Facilities

The EXIM Bank, in consultation with APEDA and the Ministry of Agriculture, may set up Farm Export Promotion Cells in each AEZ and provide necessary technical support and guidance to the exporters. It can also open offices in each state in order to promote agri-export and also establish overseas branches in countries where Indian exports are favourite destinations.

Economies of scale

Economies of scale and brand-banding can only happen when large and big companies enter the sector. In this respect, contract farming and corporate farming should be extended credit facilities with liberal terms and making storage, movement, processing, marketing and trade of farm commodities free from regulations and controls.

It is necessary to consider streamlining the procedure for export financing of agricultural products which are perishable in nature and making it entrepreneur-friendly. Likewise, the procedure for obtaining export credit guarantee cover should be streamlined and made exporter-friendly and in this respect a comprehensive insurance cover right from the stage of production to export can also be considered.

Policy Challenges

The following policy options should receive our attention at the earliest with a view to preparing ourselves meeting the full impact of WTO.

- Increased investment in agriculture
- Increased flow of institutional credit to facilitate agricultural exports
- Diversification from cereals to high-value crops such as fruits and vegetables, floriculture, spices, animal husbandry, fisheries, medicinal and herbal crops etc.
- Promoting and encouraging public-private partnership to facilitate investment in infrastructure such as in irrigation, agriculture research, electricity, roads, rural markets, cold storage and transportation etc in an endeavour to reduce transportations costs
- Organizing farmers into associations that would jointly produce and process commodities for international markets at both the regional and global levels including formation of, and motivation to, SHGs for cultivation, processing,
marketing, nurseries, seeds production etc and linking such initiatives through contract farming and corporate farming

- Increased investment on developing viable and cost-effective seeds industry
- Developing institutions and providing support to them for the vertical integration of production, processing, packaging and marketing of agricultural produce with public-private partnership
- Policy framework for the contract and corporate farming should be streamlined
- Improving sanitary and phytosanitary measures as well as the adoption of Codex Alimentarius standards of food safety and simultaneously evolving SPS standards for our domestic products as well as imports including strengthening the capacity of the state government institutions for educating the farmers with regard to SPS requirements.

**Agricultural Marketing**

The term agricultural marketing is composed of two words- agriculture and marketing. Agriculture, in the broadest sense means activities aimed at the use of natural resources for human welfare, and marketing connotes a series of activities involved in moving the goods from the point of production to the point of consumption. Specification, the subject of agricultural marketing includes marketing functions, agencies, channels, efficiency and cost, price spread and market integration, producers surplus etc. The agricultural marketing system is a link between the farm and the non-farm sectors.

In India Agriculture was practiced formerly on a subsistence basis; the villages were self-sufficient, people exchanged their goods, and services within the village on a barter basis. With the development of means of transport and storage facilities, agriculture has become commercial in character; the farmer grows those crops that fetch a better price. Marketing of agricultural produce is considered as an integral part of agriculture, since an agriculturist is encouraged to make more investment and to increase production. Thus there is an increasing awareness that it is not enough to produce a crop or animal product; it must be marketed as well.

Agricultural marketing involves in its simplest form the buying and selling of agricultural produce. This definition of agricultural marketing may be accepted in
olden days, when the village economy was more or less self-sufficient, when the marketing of agricultural produce presented no difficulty, as the farmer sold his produce directly to the consumer on a cash or barter basis. But, in modern times, marketing of agricultural produce is different from that of olden days. In modern marketing, agricultural produce has to undergo a series of transfers or exchanges from one hand to another before it finally reaches the consumer.

The National Commission on Agriculture, defined agricultural marketing as a process which starts with a decision to produce a saleable farm commodity and it involves all aspects of market structure of system, both functional and institutional, based on technical and economic considerations and includes pre and post-harvest operations, assembling, grading, storage, transportation and distribution. The Indian council of Agricultural Research defined involvement of three important functions, namely (a) assembling (concentration) (b) preparation for consumption (processing) and (c) distribution.

**Importance and Objectives of Agriculture Marketing**

The farmer has realized the importance of adopting new techniques of production and is making efforts for more income and higher standards of living. As a consequence, the cropping pattern is no longer dictated by what he needs for his own personal consumption but what is responsive to the market in terms of prices received by him. While the trade is much organised the farmers are not. Farmer is not conversant with the complexities of the marketing system which is becoming more and more complicated. The cultivator is handicapped by several disabilities as a seller. He sells his produce at an unfavorable place, time and price.

The objectives of an efficient marketing system are:-

- to enable the primary producers to get the best possible returns,
- to provide facilities for lifting all produce, the farmers are willing, to sell at an incentive price,
- to reduce the price difference between the primary producer and ultimate consumer, and
- to make available all products of farm origin to consumers at reasonable price without impairing on the quality of the produce.
**Inadequacies of Present Indian Marketing System**

Indian system of agricultural marketing suffers from a number of defects. As a consequence, the Indian farmer is deprived of a fair price for his produce. The main defects of the agricultural marketing system are discussed here.

**Improper warehouses**

There is an absence of proper warehousing facilities in the villages. Therefore, the farmer is compelled to store his products in pits, mud-vessels, "Kutch" storehouses, etc. These unscientific methods of storing lead to considerable wastage. Approximately 1.5% of the produce gets rotten and becomes unfit for human consumption. Due to this reason supply in the village market increases substantially and the farmers are not able to get a fair price for their produce. The setting up of Central Warehousing Corporation and State Warehousing Corporation has improved the situation to some extent.

**Lack of grading and standardization**

Different varieties of agricultural produce are not graded properly. The practice usually prevalent is the one known as "dara" sales wherein heap of all qualities of produce are sold in one common lot. Thus the farmer producing better qualities is not assured of a better price. Hence there is no incentive to use better seeds and produce better varieties.

**Inadequate transport facilities**

Transport facilities are highly inadequate in India. Only a small number of villages are joined by railways and pucca roads to mandies. Produce has to be carried on slow moving transport vehicles like bullock carts. Obviously such means of transport cannot be used to carry produce to far-off places and the farmer has to dump his produce in nearby markets even if the price obtained in these markets is considerably low. This is even more true with perishable commodities.

**Presence of a large number of middlemen**

The chain of middlemen in the agricultural marketing is so large that the share of farmers is reduced substantially. For instance, a study of D.D. Sidhan revealed, that farmers obtain only about 53% of the price of rice, 31% being the share of middlemen (the remaining 16% being the marketing cost). In the case of vegetables and fruits the share was even less, 39% in the former case and 34% in the latter. The
share of middle-men in the case of vegetables was 29.5% and in the case of fruits 
was 46.5%. Some of the intermediaries in the agricultural marketing system are - 
village traders, Kutcha arhatiyas, pucca arhatiyas, brokers, wholesalers, retailers, 
money lenders, etc.

**Malpractices in unregulated markets**

Even now the number of unregulated markets in the country is substantially large. 
Arhatiyas and brokers, taking advantage of the ignorance, and illiteracy of the 
farmers, use unfair means to cheat them. The farmers are required to pay arhat 
(pledging charge) to the arhatiyas, "tulaii" (weight charge) for weighing the produce, 
"palledari" to unload the bullock-carts and for doing other miscellaneous types of 
allied works, "garda" for impurities in the produce, and a number of other undefined 
and unspecified charges. Another malpractice in the mandies relates to the use of 
wrong weights and measures in the regulated markets. Wrong weights continue to be 
used in some unregulated markets with the object of cheating the farmers.

**Inadequate market information**

It is often not possible for the farmers to obtain information on exact market prices in 
different markets. So, they accept, whatever price the traders offer to them. With a 
view to tackle this problem the government is using the radio and television media to 
broadcast market prices regularly. The newspapers also keep the farmers posted with 
the latest changes in prices. however the price quotations are sometimes not reliable 
and sometimes have a great time-lag. The trader generally offers less than the price 
quoted by the government news media.

**Inadequate credit facilities**

Indian farmer, being poor, tries to sell off the produce immediately after the crop is 
harvested though prices at that time are very low. The safeguard of the farmer from 
such "forced sales" is to provide him credit so that he can wait for better times and 
better prices. Since such credit facilities are not available, the farmers are forced to 
take loans from money lenders, while agreeing to pledge their produce to them at less 
than market prices. The co-operative marketing societies have generally catered to 
the needs of the large farmers and the small farmers are left at the mercy of the 
money lenders.
Thus it is not possible to view the present agricultural marketing in India in isolation of (and separated from) the land relations. The regulation of markets broadcasting of prices by All India Radio, improvements in transport system, etc., have undoubtedly benefited the capitalist farmers, and they are now in a better position to obtain favourable prices for their "market produce" but the above mentioned changes have not benefited the small and marginal farmers to any great extent.

**Agricultural marketing systems in India**

The existing systems of agricultural marketing in India are as briefly described here.

**Sale to moneylenders and traders**

A considerable part of the total produce is sold by the farmers to the village traders and moneylenders. According to an estimate 85% of wheat, 75% of oil seeds in U.P., 90% of jute in West Bengal and 60% of wheat, 70% of oil seeds and 35% of cotton in Punjab are sold by the farmers in the villages themselves. Often the money lenders act as a commission agent of the wholesale trader.

**Hats and shanties**

Hats are village markets often held once or twice a week, while shanties are also village markets held at longer intervals or on special occasions. The agents of the wholesale merchants, operating in different mandies also visit these markets.

The area covered by a "hat" usually varies from 5 to 10 miles. Most of "hats" are very poorly equipped, are uncovered and lack storage, drainage, and other facilities. It is important to observe that only small and marginal farmers sell their produce in such markets. The big farmers with large surplus go to the larger wholesale markets.

**Mandies or wholesale markets**

One wholesale market often serves a number of villages and is generally located in a city. In such mandies, business is carried on by arhatiyas. The farmers sell their produce to these arhatiyas with the help of brokers, who are generally the agents of arhatiyas. Because of the malpractices of these middlemen, problems of transporting the produce from villages to mandies, the small and marginal farmers are hesitant of coming to these mandies.

The arhatiyas of these mandies sell off the produce to the retail merchants. However, paddy, cotton and oilseeds are sold off to the mills for processing. The marketing
system for sugarcane is different. The farmers sell their produce directly to the sugar mills.

Co-operative marketing

To improve the efficiency of the agricultural marketing and to save farmers from the exploitation and malpractices of middlemen, emphasis has been laid on the development of co-operative marketing societies. Such societies are formed by farmers to take advantage of collective bargaining.

A marketing society collects surplus from its members and sells it in the mandi collectively. This improves the bargaining power of the members and they are able to obtain a better price for the produce. In addition to the sale of produce, these societies also serve the members in a number of other ways.

Facilities Needed for Agricultural Marketing

In order to have best advantage in marketing of his agricultural produce the farmer should enjoy certain basic facilities.

- He should have proper facilities for storing his goods.
- He should have holding capacity, in the sense, that he should be able to wait for times when he could get better prices for his produce and not dispose of his stocks immediately after the harvest when the prices are very low.
- He should have adequate and cheap transport facilities which could enable him to take his surplus produce to the mandi rather than dispose it of in the village itself to the village money-lender-cum-merchant at low prices.
- He should have clear information regarding the market conditions as well as about the ruling prices, otherwise may be cheated. There should be organized and regulated markets where the farmer will not be cheated by the -dalals- and –arhatiyas.
- The number of intermediaries should be as small as possible, so that the middleman's profits are reduced. This increases the returns to the farmers.

Improvement of Agricultural Marketing System

Government of India has adopted a number of measures to improve agricultural marketing, the important ones being - establishment of regulated markets, construction of warehouses, provision for grading, and standardization of produce,
standarisation of weight and measures, daily broadcasting of market prices of agricultural crops on All India Radio, improvement of transport facilities, etc.

**Marketing surveys**

In the first place the government has undertaken marketing surveys of various goods and has published these surveys. These surveys have brought out the various problems connected with the marketing of goods and have made suggestions for their removal.

**Grading and standardization**

The government has done much to grade and standardize many agricultural goods. Under the Agricultural Produce (Grading and Marketing) Act the Government has set up grading stations for commodities like ghee, flour, eggs, etc. The graded goods are stamped with the seal of the Agricultural Marketing Department - AGMARK. The “Agmark” goods have a wider market and command better prices.

A Central Quality Control Laboratory has been set up at Nagpur and eight other regional laboratories in different parts of the country with the purpose of testing the quality and quality of agricultural products applying for the Government's "Agmark" have been created. The Government is further streamlining quality control enforcement and inspection and improvement in grading.

**Organization of regulated markets**

Regulated markets have been organized with a view to protect the farmers from the malpractices of sellers and brokers. The management of such markets is done by a market committee which has nominees of the State Government, local bodies, arhatiyas, brokers and farmers. Thus all interests are represented on the committee. These committees are appointed by the Government for a specified period of time. Important functions performed by the committees can be summarized as follows.

- fixation of charges for weighing, brokerages etc.,
- prevention of unauthorized deductions, underhand dealings, and wrong practices by the arhatiyas,
- enforcing the use of standardized weights,
- providing up to date and reliable market information to the farmers, and
- settling of disputes among the parties arising out of market operations.
The system of regulated markets has been found to be very useful in removing fraudulent practices followed by brokers and commission agents and in standardizing market practices. The committee is responsible for the licensing of brokers and weightmen. It is nested with powers to punish anyone who is found guilty of dishonest and fraudulent practices. It is the policy of the government to convert all markets in the country into the regulated type.

Regulated markets aim at the development of the marketing structure to have the following:

- ensure remunerative price to the producer of agricultural commodities,
- reduce non functional margins of the traders and commission agents, and
- narrow down the price spread between the producer and the consumer.

To achieve these objectives, the government would go in for comprehensive and rapid expansion of regulated marketing systems. The success achieved in states like Punjab and Haryana, where regulated markets have been established in major producing areas with linked up satellite markets in the rural growth centres would be aimed at, in other areas where intensive production is taken up. The regulating marketing system has also proved a good source of generating income for the marketing boards and for use in rural infrastructure. The regulated market complex will also include facilities for grading and for monitoring of prices.

The development of regulated markets is proposed especially in areas where commercial crops like cotton, jute, tobacco and important non-traditional crops are produced and sold in weekly markets and hats. Co-operative marketing and distribution and banking will also be linked with the regulated markets. These markets will cover all the major crops. Separate market yards are proposed for livestock, fish, fruits and vegetables.

There are now over than 6,050 regulated markets with the establishment of these regulated markets. The malpractices in mandies have disappeared and the market charges have been rationalized. As much as 70% of agricultural produce is now sold in regulated markets.

In this connection, the steps taken to standardize the weight and measures in the country should be mentioned. The government has successfully replaced the different systems of weights and measures prevalent in the country with the metric system.
**Provision of warehousing facilities**

To prevent distress sale by the farmers, particularly the small and marginal farmers, due to prevailing low prices, rural go downs have been set up. The government has done much to provide warehousing in towns and villages. The Central Warehousing Corporation was set up in 1957 with the purpose of constructing and running go downs and warehouses for the storage of agricultural produce. The states has set-up the State Warehousing Corporations with the same purpose. At present the Food Corporation is constructing its own network of go downs in different parts of the country. The total storage capacity in the country was 27 million tonnes at the end of the sixth plan.

**Dissemination of market information**

The government has been giving attention to the broadcasting of market information to the farmers. Since most villages have radio sets, these broadcasts are actually heard by farmers. The newspapers also publish agricultural prices either daily or weekly accompanied by a short review of trends.

**Directorate of marketing and inspection**

The directorate was set up by the Government of India to co-ordinate the agricultural marketing of various agencies and to advise the Central and State Governments on the problems of agricultural marketing. Activities of this directorate include the following:

- promotion of grading and standardization of agricultural and allied commodities;
- statutory regulation of markets and market practices;
- training of personnel; d. market extension;
- market research, survey and planning and

The directorate has so far formulated grade specification for 142 agricultural commodities. It enforces compulsory quality control before export on as many as 41 agricultural commodities. It is extending financial assistance to selected regulated markets for providing grading facilities for important commodities like tobacco, jute, cotton, groundnut and cashew nut at the producers level.
An allied task is the one related to marketing research and survey. This should aim at determination of best handling methods of produce to minimize losses, damage and costs, improved methods of wholesaling and retailing and planning for new marketing facilities at appropriate centres. With this aim in view, the Directorate is currently implementing two schemes.

- Market research and planning.
- Market planning and design.

Under the former scheme, the Directorate has been carrying out country-wide marketing surveys on live-stock and important agricultural and horticultural commodities to identify and study the problems of agricultural marketing. Under the latter scheme, the Directorate has set up a Marketing Planning and Design Centre at Faridabad and a training centre and Workshop at Nagpur to study the packaging grading and marketing of selected fruits and vegetable and also advise the authorities on the designing of fruits and vegetable markets.

**Government purchases and fixation of support prices**

In addition to the measures mentioned above, the Government also announces minimum support price for various agricultural commodities from time to time in a bid to ensure fair returns to the farmers. These prices are fixed in accordance with the recommendations of the Agricultural, Price Commission.

If the prices start falling below the declared level (say, as a result of glut in the market), the Government agencies like the Food Corporation of India intervene in the market to make direct purchase from the farmers at the support prices. These purchases are sold off by the Government at reasonable price through the public distribution system.

**Labour laws in Agro based Industries**

India has an exhaustive legal framework governing all aspects of business. Law is a set of rules enacted or customary in communities and recognized as enjoining or prohibiting certain actions, enforced by the imposition of penalties on wrong doer for breaking rules. In the ancient times, the laws were religious or customary in origin; however, since the third decade of 19th century, various law commissions recommended reforms codification of penal and criminal procedures and subsequent
commissions added various legislations governing different needs of society then existing.

It would be a Herculean task to cover all the business and commercial laws governing agro industries in India, but however, a humble effort is being made to cover important enactments with references to various laws.

- Central Excise Act, 1944: Act governing duty levied on manufacture.
- Companies Act, 1956: Act governing all corporate bodies.
- Competition Act, 2002: Act to ensure free and fair competition in the market.
- Customs Tariff (Amendment) Act, 2003: Act that has put in place a uniform commodity classification code based on globally adopted system of nomenclature for use in all trade-related transactions.
- Electricity Act, 2003: Act that regulates generation, transmission, distribution, trading and use of electricity and generally for taking measures conducive to the development of the electricity industry, promotion of investment and competition, protection of the interests of consumers and the assured supply of electricity to all areas.
- Environment Protection Act, 1986: Act providing the framework for seeking environmental clearances.
- Foreign Exchange Management Act, 1999: Act regulating foreign exchange transactions including foreign investment.
- Income Tax Act, 1961: Act governing direct taxes on income of all persons, both corporate and non-corporate as well as residents and non-residents.
- Industrial Disputes Act and Workmen’s Compensation Act: Labour laws dealing with disputes.
- Industrial (Development & Regulation) Act, 1951: Act governing all industries.
- The Prevention of Money Laundering Act, 2002: Act preventing money laundering and providing for confiscation of property derived from, or involved in, money laundering.


- Value Added Tax Act, 2005: Act governing the levy of tax on sales.


- The Special Economic Zones Act, 2005: Provides a long-term, stable policy framework and establishes a single-window clearance mechanism for the establishment, development and management of SEZs and units operating in such zones. An SEZ is a specifically delineated duty-free enclave and shall be deemed to be foreign territory for the purposes of trade operations and duties and tariffs.

- Payment of Wages Act, 1936: The Payment of Wages Act was enacted during the British Rule in 1936 on the recommendations of the Royal Commission on Labour. The Act regulates the payment of wages to workers and ensures that they are disbursed by the employers within the stipulated time frame and without any unauthorized deductions.

- Contract Labour [R&A] Act 1970: Every principle employer who intends to employ contract labor in his Establishment/Factory shall make an application in specified form to the concerned authority of the area in which the establishment sought to be registered is located.

- Payment of Bonus Act 1965: The payment of Bonus Act is applicable to every factory and every other establishment in which twenty or more persons are employed on any day during an accounting year excluding some categories of employees as contained in section 32 of the Act (i.e. employees in Life Insurance Corporation, seamen, port and dock workers, universities, etc.).

- Minimum Wages Act: A Minimum Wages Bill was introduced in the Central Legislative Assembly on 11.4.48 to provide for fixation of minimum wages in
certain employments. It was passed in 1948 and came into force with effect from 15.3.48.

- Maternity Benefit Act, 1961: Regulates employment of women before and after child birth and provides for 12 weeks maternity leave, medical bonus and certain other benefits.
- Payment of Gratuity Act, 1972: Provides for payment of gratuity @ 15 days’ wages for every completed year of service or part thereof, in excess of seven months.
- Cigarettes and other Tobacco Products (Prohibition of Advertisement and Regulation of Trade and Commerce, Production, Supply and Distribution) Act, 2003 read with Prohibition of Smoking in Public Places Rules, 2008: Provides for prohibition of smoking in a public place by defining public place and open space with further explanation of smoking area or space and permitting hotels, restaurants and airports to provide smoking area or space in a restricted manner with provision of fine for violation.

The abundant availability of trained manpower in scientific, technical and managerial fields is one of the strong factors which has helped India's development and which is one of the main attractions to foreign investors looking for opportunities for profitable investment.

It is clear that if the labour laws of India are not conducive to privatization, then nothing tangible can be achieved in the attempt to privatize the public sector units. It is however, the endeavour of every management particularly in the wake of privatization to comply with as much legal obligations as possible. The shift in the policy of Govt. of India from partial divestiture to full divestiture has indicated that India Inc. wishes to capture the world market with full potential of its vast human resource.

The Labour Laws can be categorized under the following 4 (four) broad categories, namely:

- Labour Laws enacted by Central Government and also enforced by Central Government.
• Labour Laws enacted by Central Government enforced by both Central Government as well as State Government.
• Labour Laws enacted by Central Government and enforced by the State Government.
• Labour Laws enacted and enforced by State Government.

**Labour Laws enacted by Central Government and also enforced by Central Government**

- The Employees’ State Insurance Act, 1948
- The Employees’ Provident Fund and Miscellaneous Provisions Act, 1952
- The Beedi Workers’ Welfare Cess act, 1967
- The Beedi Workers Welfare Fund Act, 1976

**Labour Laws enacted by Central Government enforced by both Central Government as well as State Government**

- The Child Labour (Prohibition and Regulation) Act, 1986
- The Building and Other Construction Workers’ (Regulation of Employment and Conditions of Service) Act, 1996
- The Contract Labour (Regulation and Abolition) Act, 1970
- The Equal remuneration Act, 1976
- The Industrial Disputes Act, 1947
- The Industrial Employment (Standing Orders) act, 1946
- The Inter-State Migrant Workmen (Regulation of Employment and Conditions of Service) Act, 1979
- The Labour Laws (Exemption from furnishing Returns and Maintaining Registers by certain Establishments) Act, 1988
- The Maternity Benefit Act, 1961
- The Minimum Wages Act, 1948
- The Payment of Bonus Act, 1965
- The Payment of Gratuity Act, 1972
- The Payment of wages Act, 1936
- The Cine Workers and Cinema Theatre Workers (Regulation of Employment) Act, 1981
- The Building and Other Construction Workers Cess act, 1996
• The Apprentice Act, 1961

**Labour Laws enacted by Central Government and enforced by the State Government**

• The Employers’ Liability Act, 1938  
• The Factories Act, 1948  
• The Motor Transport Workers Act, 1961  
• The Personal Injuries (Compensation Insurance) Act, 1963  
• The Personal Injuries (Emergency Provisions) Act, 1962  
• The Plantation Labour Act, 1951  
• The Sales Promotion Employees (Condition of Service) Act, 1976  
• The Trade Union Act, 1926  
• The Weekly Holidays Act, 1942  
• The Working Journalists and other Newspaper Employees (Conditions of Service) and Miscellaneous Provisions Act, 1955  
• The Workmen’s Compensation Act, 1923  
• The Employment Exchange (Compulsory Notification of Vacancies) Act, 1959  
• The Children (Pledging of Labour) Act, 1938  
• The Bonded Labour Systems (Abolition) act, 1976  
• The Beedi and Cigar Workers (Conditions of Employment) Act, 1966

**Labour Laws enacted and enforced by State Government**

This category involves a plethora of Laws enacted and enforced by different State Governments. These vary from one State to another. The Labour Department of U.P. is entrusted with the responsibility of enforcement and administration of 33 labour laws and related rules. Some rules enforced by the department are:-

• Apprentices Rules  
• Beedi and Cigar Workers Rules  
• Bonded Labour System (Abolition) Rules  
• Child Labour (Prohibition & Regulation) Rules  
• Cine Workers and Cinema Theatre W. Rules  
• Contract Labour Rules  
• Dangerous Machines Rules  
• Equal Remuneration Rules  
• Factories Rules
- Industrial Disputes Rules
- Industrial Employment Rules
- Maternity Benefit Rules
- Minimum Wages Rules
- Motor Transport Workers Rules
- Payment of Bonus Rules
- Payment of Graduity Rules
- Payment of Wages Rules
- Plantations Labour Rules
- Public Liability Insurance Rules
- Sales Promotion Employees Rules
- Sick Industrial Companies Rules
- Trade Unions Rules
- Weekly Holidays Rules
- Working Journalists Employees Rules
- Workmen Compensation Rules
- U.P. Dookan Aur Vanijya Adhistan Rules

The plethora of legislations as well as judgments and notifications covering various aspects are neither the subject matter of this thesis nor is the intention of the researcher to cover all the above pieces of legislation. In the following section researcher intends to cover in brief following Acts:-

- The Minimum Wages Act, 1948
- The Payment of Bonus Act, 1965
- The Employees’ State Insurance Act, 1948
- The Uttar Pradesh Shops and Establishments Act, 1948

**The Minimum Wages Act, 1948**

The need for a country of having minimum wage fixing machinery was stressed by the International Labour Organization long back in 1928. Twenty years later our country passed The Minimum Wages Act, 1948. The reason given by the government for passing the Act was that workers organization in the country was poorly developed and consequently their bargaining power also was very poor. The act is a boon to a large number of poorly paid persons in this country.
Applicability
The Minimum Wages Act, 1948 is applicable to various schedule of employment, which are notified by the appropriate Government from time to time. At present in Maharashtra Minimum Wages Act is applicable to about 70 (Seventy) Schedule of employment.

The Act is applicable to all types of employees i.e. whether they are Monthly rated, Part-Time employees, daily rated or piece rated employees, casual, temporary or permanent employees.

Procedure of fixing Minimum Wages
The appropriate government has to fix and revise minimum wages either by appointing one or more committees and sub-committees consisting of representatives of employers and employees and also of independent persons to hold necessary enquiries and by taking into consideration the advice tendered by the committee or committees, or by formulating and publishing its proposals and taking into consideration the representations received in response to the proposals.

What Minimum Wages Consists
The Minimum Wages consists of:-

- Basic rate of wages and special allowance or cost of living allowance or
- Basic rate of wages with or without cost of living allowance or
- All inclusive rates, cost of living allowance and the cash value of the concessions if any.

Basic Wages: Once the appropriate Government declares by its notification the Basic rate of wages for the particular schedule of employment, than it remains constant throughout till the Government revises it by another notifications.

Special allowance or cost of living allowance: Generally the said allowance declares by the appropriate authority at the fixed intervals.

How to pay minimum wages
The minimum wages payable under the Act must be paid in cash. However, employer can pay them in kind with the permission of the appropriate Government.
**Classification of employees**

The appropriate Government classified the employees for the purpose of declaring Basic wages as per the notifications. The employees are classified as under:

(i) Highly skilled  
(ii) Skilled  
(iii) Semiskilled  
(iv) unskilled & others.

The definition of the above classifications differs from each schedule of employment but generally it defines as under:

**Highly skilled** – The employee who is a degree holder for a particular job of work and performs the job independently applying his own mind to do the assigned job. i.e. Engineers, Doctors, Artists etc.

**Skilled** – Skilled employee is one who is capable of working efficiently, exercising considerable independent judgment and discharging his duties responsibly. i.e. Turner, Fitter etc.

**Semiskilled** – Employee is one who does work generally of a well-defined routine nature wherein major requirements is not so much of the judgment, skill and dexterity, but of proper discharge of duties assigned to him for a relatively narrow job and important decisions are made by others.

**Unskilled** – Employee is one who does operations that involve the performance or previous experience although a familiarity with the occupational environments is necessary. i.e. Helper, Peons etc.

**Different Zones**

The Minimum wages declares by the appropriate Government differs with different Zones. The different Zones are also notified in the Government Gazettes. Generally there are three Zones but sometimes Government declares less than 3 Zones or more than 3 Zones for a particular schedule of employments. The Zones comprises of –

Zone I – All municipal corporations.

Zone II – Shall comprise ‘ A ’ and ‘ B ’ category Municipal councils and District Head Quarters.

Zone III – Comprises of all other areas not falling in Zone I and II.
**Obligation of the employer**

Where Minimum wages are fixed and enforced under Section 5 in respect of any employment covered by the Act, the employer is bound to pay to every employee engaged in that employment wages at a rate of not less than the Minimum rate so fixed and enforced. Any employer shows his incapability to pay the minimum wages, than it is irrelevant whether he has capability to pay or not.

**Normal working hours**

The normal working hours prescribed for the employees covered by the Act is of 9 hours and not more than 48 hours in a week.

**Overtime**

An employee covered by the Act works for more than 9 hours on any day or 48 hours in any week, he is entitled to get Overtime Wages at double the ordinary rate of wages.

Records to be maintained :-

1. Muster Roll cum Wages Register Rule 27 (1)

2. Muster Card cum Wages slips shall be issued to employees every month Rule 27(2)

3. Bound Inspection Book (Rule 28)

For records maintained on computer special permission is required to be taken from the Competent Authority.

**Inspectors**

The appropriate Government may, by Notification in the official Gazette appoint such Persons as it thinks fit to be inspectors for the purpose of this Act.

**Claims**

Every claim for Minimum wages shall be presented to the Notified officer within six months from the date on which the Minimum Wages became payable.

**Offences**

If any employer –

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- pays to any employee less than the Minimum rates of wages fixed for that employee’s class of work
- Contravenes any rate or order made by appropriate Government regarding hours of work

He would be punished with imprisonment up to six (6) months or with fine up to Rs.500/- or with both.

**Jurisdiction**
Industrial Tribunal has jurisdiction of adjudication upon a dispute relating to the fixation of Minimum Wages.

**The Payment Of Bonus Act, 1965**
The payment of Bonus Act, 1965 gives to the employees a statutory right to a share in the profits of his employer. Prior to the enactment of the Act some employees used to get bonus but that was so if their employers were pleased to pay the same.

**Object**
The object of the Act is to maintain peace and harmony between labour and capital (i.e. employees & employers) by allowing the employees to share the prosperity of the establishment reflected by the profits earned by the contributions made by capital, management and labour.

**Applicability**
The Act is applicable to

- Every factory
- Every other establishment employing 20 (Twenty) or more persons.

The Government can, however, apply the Act to any establishment employing less than 20 (Twenty) but not less than 10 (Ten) persons. Once the Act applies it shall continuously remain in force irrespective of number of employees fall in number i.e. once covered always covered.

**Eligibility**
Every employee who is drawing a salary or wages up to Rs.3,500/- per month and has worked for a minimum period of 30 days in a particular year is entitled to get Bonus. As per above ceiling all employees drawing wages up to Rs.3,500/- per
month shall be eligible for Bonus irrespective of his grade / designation i.e. manager / part-time / casual / seasonal employee etc.

**On what Salary / Wages Bonus is payable**
For the purpose of calculation of Bonus Salary or Wages includes Basic Salary, Dearness Allowance / Special Allowance only, but does not include other allowances such as Overtime, House Rent Allowance, Conveyance, Traveling Allowance, Monthly Bonus, Contribution to Provident Fund, Retrenchment compensation, Gratuity or commission.

**Calculation of Bonus**
- The employee who is drawing salary or wages not exceeding Rs.3,500/- per month is entitled to get bonus on entire salary or wages.
- The employee who is drawing salary or wages between Rs.3,500/- per month and Rs.10,000/- per month, the Bonus payable to him is to be calculated as, if his salary or wages were Rs.3,500/- per month. An employee getting a salary or wage exceeding Rs.10,000/- per month is not at all entitled to get Bonus as per The Payment of Bonus Act.

**Minimum & Maximum Bonus**
The employer is bound to pay his employees every year a minimum Bonus of @ 8.33% of the yearly salary or wage or Rs.100/- which ever is higher, whether he has allocable surplus or not. If any year the allocable surplus exceeds the amount of Minimum Bonus payable to the employees, the maximum Bonus payable by the employer to his employee in that particular year is @ 20% of the yearly salary or wages. Hence, Bonus is payable to the employee between 8.33% & 20% as per availability of allocable surplus.

**Available surplus & allocable surplus**
The Bonus payable under the Act is linked with profits of the company. The employer has to calculate “Gross Profit” of his establishment in the manner specified in section 4. Than from Gross Profit so calculated he has to deduct the sums referred to in section 6 as prior charges. The balance amount is called available surplus i.e. a percentage of available surplus calculated in accordance with the provisions of sub-section (4) of section 2 is called allocable surplus.
Where, allocable surplus exceeds the amount of minimum Bonus payable to the employee, the Employer must pay to every employee in respect of that year Bonus in proportion to the salary or wages earned by the employee during the year subject to maximum of 20% of such salary or wage.

Where for any year the allocable surplus exceeds the amount of maximum Bonus payable to the employees, than the excess shall (subject to limit of 20% Bonus of total salary/wages) be carried forward for being set on in the succeeding year and so on to be utilized for the purpose of Bonus.

Where for any year there is no surplus in respect of that year falls short of the amount of minimum Bonus payable i.e. 8.33% to the employees and there is no amount or sufficient amount carried forward and Set On which could be utilized for the purpose of minimum Bonus, than such minimum amount or the deficiency as the case may be shall be carried forward for being Set Off in succeeding year and so on.

**Deductions from Bonus**
- In any year the employer has paid any amount to an employee as customary/pooja bonus than he can deduct such amount from Bonus payable to the employee for that year.
- If any employee is found guilty of misconduct causing financial loss to the employer can deduct the amount of loss from the amount of Bonus payable to the employee for the year in which he was found guilty of misconduct.

**Time limit for payment of Bonus**
- Bonus must be paid within a period of 8 months from the close of accounting year as per Income Tax Act i.e. April to March.
- If any dispute about the payment of Bonus pending before any authority than Bonus must be paid within one month from the date of Awards.

**Remedy for recovery of Bonus**
If any employer fails to pay Bonus to the employee, he can make the application for his recovery of Bonus to the competent Authority & Authority issues a certificate to the collector to recover the same as an arrears of land revenue i.e. Attachment of Property & Assets. However, the time limit for application to the Authority is within one year from the date on which Bonus amount became due.
Offences / Punishments
If any persons contravenes the provision of the Act or any rule made there under or fails to comply with any directions given to him he would be punished with imprisonment up to six (6) months or with fine up to Rs.1,000/- or both.

Productivity Bonus
Bonus paid on production or productivity or under a formula different from that under the Act can be allowed but subject to the Provisions of the Act in respect of the payment of minimum or maximum Bonus. However, Attendance Bonus or any other allowances are outside the purview of payment of Bonus Act.

Excluded categories
Following categories are excluded from application of the Bonus Act:-

- L.I.C. of India
- Reserve Bank of India
- Unit Trust of India
- Universities & other Educational Institutions
- Any other establishments permitted by Government for a specified period and subject to specified conditions.

Newly set-up establishment
The newly set-up establishment is exempted from paying Bonus to its employees in the first 5 (Five) years following the year in which the employer sells the Goods produced or manufactured by him. If however, employer derives profit in any of the first five years, he has to pay Bonus for that year. The provisions of Set-On & Set-Off are not applicable in such cases.

Disqualifications for receiving Bonus
Employee is disqualified from receiving Bonus if he is dismissed from the service for (A) Fraud (B) Riotous or Violent behaviour while on the premises of the establishment (C) Theft, misappropriation or sabotage of any property of Establishment.

Records to be maintained
- A register in “Form No. A” showing Computation of Allocable Surplus.
- A register in “Form No. B” showing Set-On & Set-Off of the allocable surplus.
• A register in “Form No. C” showing details of the Bonus due to each of the employee & deductions under Section 17 & 18 and the amount actually disbursed.

Annual return in “Form No. D” to be submitted to the competent Authority within 30 days after the expiry of time limit.

**The Employee's State Insurance Act, 1948**
The Employees State Insurance Act, provides for certain benefits to employees in case of sickness, maternity and employment injury. The Act extends to the whole of India. It applies to all factories (including Government factories but excluding seasonal factories) employing ten or more persons and carrying on a manufacturing process with the aid of power or employing 20 or more persons and carrying on a manufacturing process without the aid of power and such other establishments as the Government may specify.

A factory or other establishment to which this Act applies, shall continue to be governed by its provisions even if the number of workers employed therein falls below the specified limit or the manufacturing process therein ceases to be carried on with the aid of power, subsequently.

The Act does not apply to the following:-

• Factories working with the aid of power wherein less than 10 persons are employed;
• Factories working without the aid of power wherein less than 20 persons are employed;
• Seasonal factories engaged exclusively in any of the following activities viz. Cotton ginning, cotton or jute pressing, decortication of groundnuts, the manufacture of coffee, indigo, lac, rubber, sugar (including gur) or tea or any manufacturing process incidental to or connected with any of the aforesaid activities, and including factories engaged for a period not exceeding seven months in a year in blending, packing or repackaging of tea or coffee, or in such other process as may be specified by the Central Government;
• A factory which was exempted from the provisions of the Act as being a seasonal factory will not lose the benefit of the exemption on account of the amendment of the definition of seasonal factory
• Mines subject to the Mines Act, 1952;
• Railway running sheds;
• Government factories or establishments, whose employees are in receipt of benefits similar or superior to the benefits provided under the Act and Indian naval, military or air forces.

The appropriate Government may exempt any factory or establishments or class of factories or establishments or any employee or class of employees from the provisions of this Act.

**Employees Entitled**
Every employee (including casual and temporary employees), whether employed directly or through a contractor, who is in receipt of wages upto Rs. 10,000 p.m. is entitled to be insured under the E.S.I. Act. However, apprentices engaged under the Apprentices Act are not entitled to the E.S.I. benefits. Coverage of part time employees under the ESI Act will depend on whether they have contract of service or contract for service with the employer. The former is covered whereas the latter are not covered under the E.S.I Act.

Besides, in the following cases, the employees have been held to be covered under the Act:-

• persons employed in a canteen of a club,
• drivers employed by the Transport organization,
• persons engaged in distribution and sale of products,
• persons carrying administrative work of processing the orders and executing sales,
• hawkers employed for sale of products,
• employees of cycle stand and canteen run in cinema theatres by contractors,
• members of editorial and administrative staff of a printing press publishing newspaper,
• a home worker rolling beedies at home,
• medical representative,
• persons employed in a hospital attached to and maintained by factory,
• part-time doctor employed for ambulance room,
• book binders engaged by a contractor, and
• sales clerk working in a factory.


An employer/establishments covered under the E.S.I. Act is exempt from the provisions of Maternity Benefit Act and Workmen’s Compensation Act. It is specifically provided that when a person is entitled to any of the benefits provided by the Act, then he shall not be entitled to recover any similar benefits admissible under the provisions of any other enactment.

Employers / Employees Contribution
The employer is required to contribute at the rate of 4.75% of the wages paid/payable in respect of every wage period. The employees are also required to contribute at the rate of 1.75% of their wages, except when the "average daily wages in a wage period" are equal to or less than Rs. 50. Employees earning less than and upto Rs. 50 per day are exempted from payment of contribution.

It is the employers’ responsibility to deposit his own as well as employee’s contributions in respect of all employees including the contract labour, into the E.S.I. Account. The employer may deduct the employees contribution from his wages in respect of the period for which the contribution is payable.

EMPLOYEE BENEFITS

Sickness Benefit
Every insured employee is entitled to the cash benefit for the period of sickness occurring during any benefit period and certified by a duly appointed medical practitioner if the contributions in respect of him were payable for not less than (78 days) in the corresponding contribution period.

However, in the case of a newly appointed employee, eligible for the first time who has got shorter contribution period of less than 156 days, he shall be entitled to claim sickness benefit if he pays contribution for not less than half the number of days
available for working in such contribution period. The benefit is payable at the standard benefit rate, corresponding to his daily average wages. The benefit is, however, not payable for any day on which the employee works, remains on leave, holiday or strike, in respect of which he receives wages.

Sickness benefit shall be allowed to an employee for any day on which he remains on strike, if:-

- he is receiving medical treatment and attendance as an indoor patient in any E.S.I. hospital or a hospital recognized by the E.S.I. Corporation for such treatment; or
- he is entitled to receive extended sickness benefit for any of the diseases for which such benefit is admissible; or
- he is in receipt of sickness benefit immediately preceding the date of commencement of notice of the strike given by the Employees Union to the Management of the factory/establishment.

No sickness benefit shall be payable for the first two days of sickness following, at an interval of not more than 15 days, after the sickness in respect of which sickness benefits were last paid. Further no sickness benefit shall be payable to any person for more than 91 days in any two consecutive benefit periods.

**Conditions to be Observed**

Any person in receipt of sickness benefit:

- shall remain under medical treatment at the ESI dispensary or hospital and carry out the instructions of the medical officer;
- shall not do anything which retards or reduces his chances of recovery;
- shall not leave the area where medical treatment is provided without medical officers permission;
- shall get himself examined by the medical officer.

**Maternity Benefit**

A periodical cash benefit is payable to an insured woman employee, in case of confinement, miscarriage, medical termination of pregnancy, premature birth of a child, or sickness arising from pregnancy, miscarriage, etc., occurring or expected to
occur in a benefit period, if the contributions, in respect of her were payable for at least (70 days) in the two immediately preceding contribution periods.

The benefit is payable at twice the standard benefit rate or Rs. 20, whichever is higher, for all days on which the she does not work for remuneration during the period prescribed as under.

**Disablement Benefit**

Disablement benefit is payable in the form of cash installments, to an employee who is injured in the course of his employment and is, permanently or temporarily, disabled, or contacts any occupational disease. It is sufficient if it is proved that the injury was caused by an accident arising out of, and in the course of employment, no matter when it occurred, and where it occurred.

The accident shall be deemed to have arisen out of and in the course of employment unless there is evidence to the contrary,

- where an accident happens while the employee is traveling in employers transport, to or from his place of work;
- where an accident happens in or about any premises at which the employee is employed for the purposes of his employers trade or business, while the employee is taking steps, in an emergency, to rescue, secure or protect persons who are injured or imperiled or to avert or minimize serious damage to property;
- where the employee is at the time of the accident acting in contravention of any law or any safety rules and instructions, if the employee is acting for the purpose of, and in connection with, the employers trade or business.

The employee claiming any disablement benefit is required to furnish a medical certificate as prescribed under the regulations. The employee is also required to observe certain conditions as to medical examination etc., as prescribed for sickness benefit.

The benefit for temporary disablement is, however, not payable for any day on which the employee works, remains on lease, holiday or strike, in respect of which he receives wages. However, disablement benefit for temporary disablement shall be allowed to an employee for any day on which he remains on strike, if:
he is receiving medical treatment and attendance as an indoor patient in any ESI hospital or a hospital recognized by the ESI corporation, for such treatment; or

- he is in receipt of such disablement benefit immediately preceding the date of commencement of notice of the strike given by the Employees Union to the management of the factory/establishment.

**Notice of Injury**
The insured employee who sustains an employment injury should give a notice of the same to the employer or manager or supervisor or foreman, etc., by means of entry in the Accident Book or otherwise in writing or even orally. This notice is very important for claiming the disablement benefit.

**Accident Report by the Employer**
In case of an accident in the establishment, the employer should prepare an Accident Report in Form 16 (in triplicate) and submit to the local office and the Insurance Medical Officer. The third copy is the office copy. The reports are to be submitted within 48 hours in ordinary cases and immediately in death cases.

**Benefits not to be Combined**
An employee shall not be entitled to receive for the same period:

- both sickness benefit and maternity benefit; or
- both sickness benefit and disablement benefit for temporary disablement; or
- both maternity benefit and disablement benefit for temporary disablement.

The employee shall be entitled to choose any one of the aforesaid benefits, at his option.

**Abstention Verification**
The employer should furnish and verify the particulars in Form 28, in respect of the abstention of an employee from work, for which sickness/maternity/temporary disablement benefit has been claimed.

**Payment Of Benefit In Case Of Death**
If an employee dies during any period for which he is entitled to a cash benefit, the amount of such benefit shall be payable up to and including the day of his death. The
amount of benefit shall be paid to the nominee or, where there is no nomination, to the heir or legal representative of the deceased employee.

**Inspectors-Their Duties And Powers**

The E.S.I. Corporation may appoint Inspectors to carry out the purposes of the Act, within the local limits assigned to each of them.

The duties of an Inspector are:-

- Inquiring into the correctness of any of the particulars stated in any return of contribution;
- Ascertaining whether any of the provisions of the Act has been complied with; and
- Such other duties as may be authorized by the Corporation or specified in the regulations.

The Inspectors are vested with following powers to carry out their duties and functions aforesaid:-

- To require any employer or contractor to furnish to him necessary information;
- To enter, at any reasonable time, any office, establishment, factory or other premises of the employer or contractor, and require the person in change thereof to produce for examination accounts, books and documents relating to the employment of persons and payment of wages, or to furnish to him necessary information;
- To examine the employer or contractor, his agent or servant, or any person found in the factory, establishment, office or other premises, or any employee; and
- To make copies of, or take extracts from, any register, account books or other document maintained in such factory, establishment, office etc.

**Obligations Of Employers**

- The employer should get his factory or establishments registered with the E.S.I. Corporation within 15 days after the Act becomes applicable to it, and obtain the employers Code Number.
• The employer should obtain the declaration form from the employees covered under the Act and submit the same along with the return of declaration forms, to the E.S.I. office. He should arrange for the allotment of Insurance Numbers to the employees and their Identity Cards.
• The employer should deposit the employees and his own contributions to the E.S.I. Account in the prescribed manner, whether he has sufficient resources or not, his liability Labour under the Act cannot be disputed. He cannot justify non-payment of E.S.I. contribution due to non-availability of finance.
• The employer should furnish a Return of Contributions alongwith the challans of monthly payment, within 30 days of the end of each contribution period.
• The employer should not reduce the wages of an employee on account of the contribution payable by him (employer).
• The employer should cause to be maintained the prescribed records/registers namely the register of employees, the inspection book and the accident book.
• The employer should report to the E.S.I. authorities of any accident in the place of employment, within 24 hours or immediately in case of serious or fatal accidents. He should make arrangements for first aid and transportation of the employee to the hospital. He should also furnish to the authorities such further information and particulars of an accident as may be required.
• The employer should inform the local office and the nearest E.S.I. dispensary/hospital, in case of death of any employee, immediately.
• The employer must not put to work any sick employee and allow him leave, if he has been issued the prescribed certificate.
• The employer should not dismiss or discharge any employee during the period he/she is in receipt of sickness/maternity/temporary disablement benefit, or is under medical treatment, or is absent from work as a result of illness duly certified or due to pregnancy or confinement.

Employees State Insurance Corporation
The Employees State Insurance Scheme is administered by the Employees State Insurance Corporation, which is constituted by the Central Government. It consists of
representatives of the Central Government, medical profession and members of Parliament. The Corporation is vested with the following powers.

- To promote measures for the improvement of the health and welfare of insured employees and for the rehabilitation and re-employment of those who have been disabled or injured
- To appoint inspectors for purposes of the Act.
- To determine the amount of contribution payable in respect of employees of a factory or establishment, which has not furnished or maintained any particulars, registers or records.

**Employees Insurance Court**

Any dispute arising under the Act shall be decided by the Employees Insurance Court and not by a Civil Court. It is constituted by the State Government for such local areas as may be specified and consists of such number of judges, as the Government may think fit. It shall adjudicate on the following disputes and claims.

Disputes as to:-

- Whether an employee is covered by the Act or whether he is liable to pay the contribution, or
- The rate of wages or average daily wages of an employee, or
- The rate of contribution payable by the employer in respect of any employee, or
- The person who is or was the principle employer in respect of any employee, or
- The right to any benefit or the amount and duration thereof, or
- Any direction issued by the Corporation on a review of any payment of dependents benefit, or
- Any other matter in respect of any contribution or benefit or other due payable or recoverable under the Act.

Claims as to

- Recovery of contributions from the principle employer,
- Recovery of contributions from a contractor,
• Recovery for short payment or non-payment of any contribution under section 68,
• Recovery of the value or amount of benefits received improperly under section 70,
• Recovery of any benefit admissible under the Act.

No dispute shall be admitted unless the employer deposits with the Court 50% of the amount due from him as claimed by the Corporation.

**The Uttar Pradesh Shops and Commercial Establishments Act, 1962**

**Applicability**
This Act is applicable to all shops and establishments in the whole of Uttar Pradesh.

**Registration Of Shops And Commercial Establishments**
Every owner of shop or commercial establishment shall within 3 months of the commencement of such business or within 3 months of the commencement of the Act, whichever is later, apply to the chief inspector for registration of his shop or commercial establishment.

The register of shop or commercial establishment shall be maintained in FORM “K”

The owner of every shop or commercial establishment shall make an application in FORM “L” to the chief inspector for registration his shop or commercial establishment within 3 months. The application shall be signed by the owner and accompanied by a Treasury Challan/Bank Draft (crossed) in favour of the inspector concerned in proof of payment of registration fees as specified.

The maximum number of employees employed in the shop or commercial establishment on any day during the financial year in respect of which the registration is sought will be taken into consideration for deciding the amount of fee leviable.

**Term and Renewal of registration certificate/Duplicate Registration Certificate.**

**Amendment of registration certificate**
The registration certificate shall be valid for such period as may be prescribe and shall be renewable from time to time by the chief inspector for such further period as may be prescribe. Every registration certificate or renewed certificate shall remain valid for such number of financial years, as it is registered or renewed for.
Every application for renewal of a registration certificate may be made on plain paper stating therein the name of the owner name and address of the shop or commercial establishment and number of employees to the inspector. Renewal of registration certificate shall be made in Form ‘M’.

In case of late fee for registration & renewal of certificate owner shall be made only on the payment of late fee at the rate of 12.5% of the fee of registration & renewal of certificate. The late fee shall accompany the application.

The registration certificate shall not be transferable. In case of transfer of ownership the new owner shall have to apply afresh and obtain a registration certificate.

In case of amendment of registration certificate the owner shall communicate in Form ‘N’ to the inspector for any change in name address, names of the employers or change in the number of employees within 15 days of occurrence of such change together with registration certificate by a Treasury Challan/Bank Draft (crossed) for Rs. 5 or Rs. 10 as the case may be.

When a registration certificate is lost, destroyed , torn ,defaced and otherwise becomes illegible, an application to the inspector concerned for the issue of a duplicate copy shall be made in Form ‘ O’ accompanied by a Treasury Challan/Bank Draft (crossed) for Rs. 5 or Rs. 10 as the case may be. The chief inspector shall issue a duplicate registration certificate in the prescribe manner on the payment of prescribe fees.

In case of closing down of shop or commercial establishment, the owner shall notify such closure in writing to the inspector concerned within 15 days of his closing down the shop or commercial establishment.

Every owner shall display the registration number on a plate with letters and figures at least 5 cms. High and 1 cm. thick written in white or luminous paint of any colour.

**Hours Of Business**

No shops or Establishment on any day can be opened earlier than such hour or closed later than such hour as may be prescribed by State Government.

No employer shall on any day open before 9 am. Or keep open after 7pm.any commercial establishment, not mentioned in Schedule II of the act.
Hours of work and Overtime

No employer shall require or allow an employee to work on any day for more than 8 hours in the case of employee.

The total number of hours of overtime work shall not exceed fifty in quarter.

An employee, who has worked in excess of the hours of work fixed, shall be paid by his employer, wages at twice the ordinary rate, for every over time.

Intervals for rest and spread over of working hours in a day No period of continuous work shall exceed five hours, which is to be followed by an interval for rest and meals of at least half an hour.

**Holidays And Leave**

Every employer shall keep his shop or commercial establishment, closed on:-

- One day in a week
- Such public holiday in a year as may be prescribed
- The following shall be the public holidays-
  - Republic Day
  - Holi Parwa
  - Birthday of Dr. Ambedkar
  - Independence Day
  - Birthday of Mahatma Gandhi
  - Diwali Parwa
  - Kartik Purnima
  - Idu’l Fitr

The choice of a close day not being a close day which is public holiday shall, subject to the approval of the authority, rest with employer. A notice specifying all close day shall be prominently displayed by the employer in a conspicuous place in the shop or establishment.

The close day shall not be altered by the employer except once in a year with the approval of the authority.

The notice for the approval of a close day shall be in Form ‘A’.

The notice specifying close days, shall be in Form ‘B’.
A copy of every such notice shall be sent by the employer to the inspector within 2 days of its first displayed in the shop or commercial establishment.

Every employee, not being a watchman or a caretaker, shall be allowed by the employer, holiday on-

- Every close day which is a public holiday.
- One whole day in each week.

Provided that nothing in clause ii shall apply to any employee whose total period of employment in the week including any day spent on leave or any holiday, is less than six days.

Every employer shall exhibit in his shop and commercial establishment a notice in Form C specifying the day or days of the week on which the employee shall be given holiday. The notice shall be exhibited before the person employed cease work on the Saturday immediately the week during which it will have effect.

**Earned Leave, Sickness Leave and Casual Leave**

**Earned Leave**

Every employee who has been in continuous employment of the same employer for a period of 12 months or over shall be entitled to earned leave for not less than 15 days for every 12 months of such service. In case of watchman and caretaker not less than 60 days earned leave for every 12 months of such service. The total period of earned leave shall not be taken more than three times in a year.

An application for leave for 3 days or less shall be made at least 24 hours before the date from which leave is required.

The earned leave may be refused by the employer on grounds of exigency of work and reasons for giving refusal shall be recorded in writing and communicate to the employee concerned.

The employer shall communicate in writing to the employee the account of his earned leave including leave carried forward from the previous year, the leave earned during the year, the leave availed during the year and the leave to be carried forward to the next year, on demand made by him at the close of every year.
**Sickness Leave**

Every employee who has been in continuous employment of the same employer for a period of 6 months or over shall be entitled to sickness leave not less than 15 days in any one calendar year.

No application from an employee for sickness leave shall be refused but in case the employer is not satisfied about the truth, he may require a certificate from a registered medical practitioner.

**Casual Leave**

Every employee shall be entitled in addition to earned leave or sickness leave, to casual leave for not less than 10 days in any one calendar year.

Every application from an employee for casual leave shall be in writing. The employer shall record his orders on all such applications and shall retain them for at least one year.

An employer may refuse an application for casual leave from an employee on the ground of exceptional pressure of work requiring his attendance on the day or days in respect of which casual leave has been asked for. But leave shall not be refused on account of accident, physical injury to the employee death in a family or sickness of the employee, his wife or child. where an application has been made on the above grounds an employer may get the employee or the wife or child of the employee as the case may be, examined at his own expenses by a registered medical practitioner for the purpose of verifying the facts mentioned in the application for leave and may grant or reject the application on the basis of the certificate of such medical practitioner.

The medical certificate shall be retained by the employer for at least one year. Where an application for casual leave is refused by the employer, the employer shall grant equivalent leave to the employee in the same calendar year.

Where the services of an employee are terminated by his employer or where the employee terminates the employment, the employer shall be liable to pay to the employee wages for the number of days which the earned leave id due to him.

**Wage Deductions And Notices Of Discharge**

**Wage Period**
Every employer shall fix a wage period that can be monthly, fortnightly weekly or daily. Where the wage period consists of a month, every employer shall pay the wages to his employee, before the expiry of the seventh day after the last day of the wage period in respect of which the wages are payable.

If an employee be absent on a day on which payment would have been made, but for such absence the payment shall be made within 3 days after the employee returns to work or demands payments.

All payment of wages shall be made on working day.

An employee proceeding on earned leave shall, on demand, be given advance payment of the wages for half the period of the leave and the wages for the wages period immediately preceding such leave.

The wages of the sickness leave shall be payable to the employee along with his wages for the first wage period after he resumes duty.

**Deduction from wages**

No deductions from the wages of an employee shall be made except following conditions-

- fines ;
- deductions for absence from duty ;
- damage to or loss of goods expressly entrusted to the employed person for custody ; or for loss of money for which he is required to account, where such damage or loss is directly attributable to his neglect or default
- for house-accommodation supplied by the employer such amenities and services supplied by the employer as the Appropriate Government or any officer specified by it in this behalf may, by general or special order,
- recovery of advances or of over-payments of wages income tax payable by the employed person deductions required to be made by order of a Court or other authority competent to make such order for subscriptions to, and for repayment of advances from any provident fund to which the Provident Funds Act, 1925 (19 of 1925), applies or any recognized provident fund as defined in Section 58-A of the Indian Income Tax Act, 1922 (11 of 1922), or
any provident fund approved in this behalf by the Appropriate Government, during the continuance of such approval.

- payments to cooperative societies approved by the Appropriate Government
- revenue stamps required to be attached to pay receipts.
- payment of any premium of his life insurance policy to the Life Insurance Corporation of India established under the Life Insurance Corporation Act, 1956 (31 of 1956), or for the purchase of securities of the Government of India or of any State Government.