# Chapter - 1

## INTRODUCTION

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Chapter – 1

INTRODUCTION

1.1 General

The industrial policies pursued till 1990 enabled India to develop a vast and diversified industrial structure. India attained self-sufficiency in a wide range of consumer goods. But the industrial growth was not rapid enough to generate sufficient employment, to reduce regional disparities and to alleviate poverty. It was felt that government controls and regulations had put shackles on the growth of different segments of Indian Industry. Lack of adequate competition resulted in inadequate emphasis on the reduction of costs, upgradation of technology and improvement of quality standards. It is to reorient and accelerate industrial development and accelerate industrial development with emphasis on the productivity growth and quality improvement to achieve international competitiveness that the industrial policy of 1991 was announced.

Liberalisation

Liberalisation is the process of freeing the economy from the stranglehold of unnecessary bureaucratic and other restrictions imposed by the State.

The main aim of the liberalisation was to dismantle the excessive control framework that curtailed the freedom of enterprise over the years, the country had developed a system of ‘licence permit raj’. The aim of the new economic policy was to save the entrepreneurs from unnecessary harassment of seeking permission from Babudom (the bureaucracy of the country) to start an undertaking.
Law: Law here means legislative law

Development: Development in sense comprehensive development in per capita income, GDP = Gross Domestic Production

Similarly, the big business houses were unable to start new enterprises because the Monopolies and Restrictive Trade Practices (MRTP) Act had prescribed a ceiling on assets ownership to the extent of Rs.100 crores. In case a business house had assets of more than Rs.100 crores, its application after scrutiny by the MRTP commission was rejected. It was believed that on account of the rise in prices this limit had become outdated and needed a review. The second objection by the private sector lobby was that it prevented big industrial houses from investing in heavy industry and infrastructure, which required huge investment in order that the big business could be enthused to enter the core sectors – heavy industry infrastructure, petrochemicals, electronics etc. with big projects, the irrelevance of MRTP limit was recognized and hence scrapped.

The major purpose of liberalisation was to free the large private corporate sector from bureaucratic controls. It, therefore started dismantling the regime of industrial licensing and controls in pursuance of this policy, the industrial policy of 1991 abolished industrial licensing for all projects except for a short set of 18 industries.

On April 14, 1993, the Cabinet Committee on Economic Affairs (CCEA) decided to remove three more items from the list of 18 industries reserved for compulsory licensing. The three items were; motor cars, white goods (which include refrigerators, washing machines, air – conditioners, microwave ovens etc.) and raw hides and skins and patent leather. In case of cars and white goods the basic purpose of dere sevation was to increase investment in industries in producing cars and white goods so that the demand of the large middle class ranging from 250 to 300 million can be satisfied. Liberalising the automotive sector led to better designs in two wheelers, unleashing, the urge to compete in global markets and widening the domestic markets through better quality and standards. It should be of interest to know that a car has
20000 components all manufactured in the small industry sector. The automotive component manufacturing in the small scale suddenly started looking up and by the turn of the decade of reforms, the component manufacturing captured global markets. The government, in response to the market demand, liberalized the industries producing, these goods and freed them from industrial licensing. Therefore, liberalization led to globalization.

The abolition of licensing for raw hides and skins and patent leather is motivated by the desire to push up exports. Since the potential for leather and good quality shoe exports is very large, the government decided to abolish licensing so that large – scale units could realize this potential by the use of modern technology.

The ceiling on assets fixed under MRTP Act has been abolished in order to permit large houses to undertake investment in the core-sectors – heavy industry, infrastructure, petro-chemicals, electronics etc, with a view to introduce competition.

The number of items requiring licensing was reduced to a short list of 15 industries. This freed the private sector to set up industrial units quickly.
1.2 Formulation of problem

What Is Deregulation?

Deregulation is a hot-button issue for many government officials and big businesses. This is because it is one of those issues where it seems that you cannot please everyone. Like anything else in life, when the rules are bent, it brings advantages to some who had a hard time being successful with the initial rules, while it may place a handicap on others who found a way to be successful despite these initial rules.

1. Definition

- Every industry has certain rules and regulations that it must abide by. These rules are created by industry associations and watchdogs, as well as the government. Deregulation occurs when the government pulls back from the industry a bit, therefore loosening its grip on particular rules and regulations.

Purpose

- The purpose of deregulation is to allow a particular industry to foster greater competition, create a freer marketplace and hopefully spur economic growth both within that marketplace and in general. When industries become deregulated it gives that industry's players greater leeway in which to improve their products, craft their brand and, ultimately, appeal more to consumers.

Advantages

- When deregulation works, there are numerous advantages--most of them to the consumer in the form of lower prices, more providers and better products. A company that was not doing so well and maintained only a small market share before deregulation would also be likely to benefit from this act. When
the company faces fewer restrictions, it might be able to explore avenues that the government had previously not allowed or severely restricted. With less red tape, this company could theoretically emerge from deregulation much more successful than it was before.

Disadvantages

- A company that was doing quite well on its own despite government regulations would definitely see deregulation as a downside, as it will make the rules lax for its competitors. In essence, a successful company might view deregulation as a way of handicapping the competition, or allowing the competition to play by fewer rules in order to give it a fairer shot. This easing of rules can also lead to a breakdown within the entire industry as different players use this flexibility to their advantage—though it can ultimately end up being to their disadvantage. Such was the case in the 1980s when the savings and loan industry was deregulated. This deregulation allowed S&L institutions to act more like banks and adopt a federal charter instead of a state charter, thus increasing their capabilities and the number of institutions banks would have to compete with. One of the major acts that ushered in this era of deregulation was the Depository Institutions Deregulation and Monetary Control Act (DIDMCA), which was enacted in March 1980. This act made it possible for S&Ls to offer their customers more attractive interest rates on savings accounts, increase the limit on deposit insurance by 250 percent, and relax their restrictions somewhat on who could obtain a loan for developing, acquiring or constructing property. After the DIDMCA, and a number of other acts and reforms, gave the S&L industry significantly more autonomy to operate as it pleased, the industry began to collapse as lending got out of hand. The industry was so deregulated that lenders started approving their own loans, as well as those of unqualified
borrowers who wanted large sums of money for risky ventures. Before too long, the S&L industry had lent much more money than it should have, leading to an estimated $150-billion government bailout.

Example: Airline Deregulation

- The airline industry underwent deregulation in 1978 when the Airline Deregulation Act was signed into law. The purpose of this deregulation was to allow the airline industry and its companies to gain more control over where they wanted to fly and how much they wanted to charge. This fostered creativity among the industry's competitors as they looked for bigger and better ways to outdo each other to increase their market shares. Consumers benefited from this, as they now had a choice of more routes and destinations as well as lower fares—a win-win from their standpoint. According to a Government Accountability Office report from 1999, fare prices between 1979 and 1988 dropped between 5 and 9 percent (depending on airport size), and they continued to drop into the 1990s.¹

India’s Liberalization Era

The Government of India started the economic liberalization policy in 1991. Even though the power at the center has changed hands, the pace of the reforms has never slackened till date. Before 1991, changes within the industrial sector in the country were modest to say the least. The sector accounted for just one-fifth of the total economic activity within the country. The sectoral structure of the industry has changed, albeit gradually. Most of the industrial sector was dominated by a select band of family-based conglomerates that had been dominant historically. Post 1991, a major restructuring has taken place with the emergence of more technologically advanced segments among industrial companies. Nowadays, more small and medium scale enterprises contribute significantly to the economy.

¹ eHow.comhttp://www.ehow.com/about 5076380 deregulation.html
By the mid-90s, the private capital had surpassed the public capital. The management system had shifted from the traditional family based system to a system of qualified and professional managers. One of the most significant effects of the liberalization era has been the emergence of a strong, affluent and buoyant middle class with significant purchasing powers and this has been the engine that has driven the economy since. Another major benefit of the liberalization era has been the shift in the pattern of exports from traditional items like clothes, tea and spices to automobiles, steel, IT etc. The 'made in India' brand, which did not evoke any sort of loyalty has now become a brand name by itself and is now known all over the world for its quality. Also, the reforms have transformed the education sector with a huge talent pool of qualified professionals now available, waiting to conquer the world with their domain knowledge.

India, after all these years of economic reforms, is at the crossroads. While one road leads India to economic prosperity and glory, the other road leads it to social inequality. Presently, as India is one of the fastest growing economies in the world, the social aspects have been ridden roughshod by the economic benefits. What has been conveniently forgotten or suppressed till date have been the disparities, mainly the socio-economical issues. This has led to growing discontent among the population and it has gathered momentum since the reforms began 15 years ago. It will very soon reach a critical point wherein the very purpose for which the reforms were started, will start to lose their significance rapidly and throw the country back into the 'license raj' and 'unionist' era.

The chasm between the rich and the poor has increased so vastly that the rich are just getting richer and the poor are just getting poorer. The real benefits of the economic reforms have rarely percolated to the lowest strata of society. Just to illustrate the same with an example, most of the states today vie with one another to grab a project of any significance, be it chemical, auto or even IT. In doing so, the benefits they are offering, right from free land to tax sops are being given on a platter. But the benefits or savings that a company gains from this does not affect the lower strata of management, but
remains in the hands of the top management, thus depriving the former of the economic benefits. Also, most of the labor laws in the country are outdated and have not kept pace with economic reforms. Thus, the exploitation of the working class becomes much easier. A classic example is the BPO industry in our country. While most of them work in the nights, the pressure each employee faces to deliver results and the working conditions are appalling, to say the least.

The agricultural sector has also seen this disproportionate growth, as it is a field that has been left high and dry in the pursuit of agricultural reforms. The sector has been opened up to the multi-nationals, without having evolved a comprehensive cover for our farmers, most of who are poor and own very little land of their own. A case in point is the spate of farmer suicides that our country has witnessed in the past few years. The developed countries, which clamour for open-ended policies, have, in fact, some of the fiercest protection policies when it comes to their agricultural sector.

Small scale industries (SSIs), the heart and soul of many towns and villages, have been virtually ignored. More than half of them have closed down in the last few years in the face of intense competition from multi nationals who have unmatched financial and political muscle.

On a parting note, what are essential for India are economic reforms with a social face. The economic policies and their subsequent reforms must be accompanied by suitable clauses to benefit the economically weaker sections. Various schemes must be thoroughly scrutinized and efforts must be made to see that the rewards must reach everyone. Then India will not only be economically prosperous, but will also forge ahead towards its goal of world dominance.
1.3 Liberalisation to Liberalisation

The liberalisation policy unveiled in July 1991, initiated wide ranging policy and regulatory reforms. Industry was freed from Licence Raj’, public sector [imports were either reduced or removed completely] the number of industries reserved for small scale sector was pruned considerably and private investment was invited in sectors like electricity, telecommunications, roadways, ports, etc.

On the financial front, exchange rate was allowed to be determined by market forces, financial markets were liberalized, companies were allowed to tap the capital markets freely by abolishing the office of Controller of Capital Issues.

Below an attempt is made to list out reform measures taken in major sectors.

Food processing

Food Processing industry was one of the heavy beneficiaries of the liberalization. The sector was dominated by small organization. The dereservation of sectors identified for small scale sector attracted increased investment by large corporate and MNCs.

As per the new policy, industrial license not required for setting up food & agro processing plants. FDI up to 100 per cent is allowed under the automatic route in the food parks, cold chain and warehousing and under licensing in distilleries. Imports of capital goods including second hand machines are exempt from customs duties.

Sugar

Sugar was subject to a number of controls regulating its production, supply and prices in the pre-liberalisation period. The sector was delicensed in September 1998. Sugar companies are now free to set up new factories or expand their existing capacities without requiring any license. The only
stipulation required is maintenance of radial distance of 15 km between the existing sugar factory and the new one.

Further, the compulsory levy on sugar was reduced from 40 per cent of its production in 1991 to 10 per cent in March 2002. Sugar Development Fund (Amendment) Act, was passed in May 2002 to extend finance from the Fund for co-generation units and for production of anhydrous alcohol or ethanol from alcohol.

**Pharmaceutical**

In 1991, the industrial licensing for the manufacture of all drugs and pharmaceuticals (except a few bulk drugs) was abolished. Further, in February 1999, reservation on five drugs reserved for public sector was also abolished.

Foreign investment through automatic route is allowed up to 100 per cent. Further, automatic approval for Foreign Technology Agreements is being given in the case of all bulk drugs and formulations, except a few. Rebate is also given on in-house R&D expenses.

Today around 75 per cent of the drugs manufactured by the pharma companies are outside price control. The industry wants complete freedom from price controls.

**Textiles**

Though licensing was abolished in 1991, a separate National Textile Policy was formulated in 2000 with an object to facilitate the textiles sector to attain and sustain global standing in the manufacture and export of clothing. Technological upgradation, productivity enhancement and increased.

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**Oil & Hydrocarbons**

As per the prevailing policy, foreign companies can invest up to 100 per cent of the equity in any venture in the petroleum sector subject to approval of the government. New exploration Licensing Policy (NELP) was launched in January 1999 by the government for accelerating the pace of hydrocarbon exploration in the country. So far 199 blocks have been awarded under six rounds of NELP.

The success of this measure is yet to be seen as the country’s crude oil production has stagnated at around 33.00 mtpa for the last 15 years.

The Government has opened up the refining sector to private investment. FDI up to 100 per cent is allowed. Private companies are also encouraged to invest in the marketing of petroleum products. After the initial hiccup, the sector has started attracting Indian as well as foreign companies’ attention off late. The total refining capacity is expected to cross 220 million tone mark by 2012.

**Cement**

Cement industry was one of the first sectors to experience the benefits of liberalization. In February 1982 partial decontrol was introduced in cement and a liberal policy was adopted in respect of price and distribution. MRTP/FERA companies were allowed to set up projects.
Cement was decontrolled fully in March 1989 and delicensed in July 1991. It has also been listed as a priority industry in Schedule III of the Industry Policy Statement making it eligible for automatic approval for foreign investment up to 51 per cent.

The industry has responded very well to the government policies and today is the second largest producer of cement in the world. The total cement manufacturing capacity is expected to increase from 170 million tone to 250 million tone by 2012.

Steel

The Indian iron and steel industry was deregulated in January 1992. The erstwhile control mechanism was dismantled paving the way for a market-centric industry. As per the extant policy, no license is required to setup steel mills. Further the industry has been removed from the list of industries reserved for the public sector. Automatic approval of foreign equity investment up to 100 per cent is allowed. Price and distribution controls have been removed from January, 1992. Restrictions on external trade, both in import and export have also been removed. Import duty rates have been reduced drastically.

In the recent years, the country has seen huge increase in project investment in this sector. Till date, around 116 MoUs are signed to produce around 180 million tone of steel. The total steel making capacity is expected to cross 120 million tone by 2012. Large Indian steel companies Tata, Jindal and Essar are also expanding their overseas capacities through acquisition route.

Automobiles

Auto industry is one of the beneficiaries of the industrial reforms. The new auto policy announced by the government in 2002 opened the automobile sector to 100 per cent foreign direct investment and removed the minimum capital investment norm for fresh entrants.
The led to a spate of investment intentions in the passenger cars and commercial vehicles segment. Today, almost every major international automobile manufacturer has a presence in India. Besides aiming to tap the growing domestic market, multinationals intends to make India as an export hub to cater to their global demands.

**Power**

The passage of the Electricity Act 2003 in June 2003 is termed as an important landmark in the liberalisation of the power sector. Following this, the power generating was delicensed, captive generation was set free from all controls, power trading was recognized as an independent activity and open access was granted on transmission and distribution activities.

In addition to amending the Electricity Act twice, the government also set up the Central Electricity Regulatory Commission (CERC), the State Electricity Regulatory Commission (SERCs) to fix and regulate tariffs from time to time.

Despite these measures, power sector grew at a very slow pace. Though enough private proposals are pending for setting up new capacities, delay in clearance of projects and the poor financial conditions of state electricity boards have prevented them from committing huge investments.

**Power distribution**

To strengthen the power distribution system in the country and to lessen the transmission loss the government of India approved a scheme called Accelerated Power Development and Reforms Programme (APDRP) in March 2003. Under this scheme the central government will fund 50 per cent of the project cost undertaken by state governments. The scheme has also identified 63 distribution circles as ideal for distribution reforms.

Though 16 states have opted for the scheme the pace of reforms is very slow.
Telecommunications:

The phenomenal growth recorded in the telecom sector shows what economic reforms can achieve. Though the government faltered in the beginning the privatizing the sector, the corrective measures taken through the new National Telecom policy of 1999 ensured enough competition in areas like basic and cellular services, national long distance and Internet services. The Telecom Regulatory Authority of India (TRAI) was constituted in 1997 as an independent regulator in this sector.

The growth of Indian telecom network has been over 30 per cent consistently during the last five years. The total number of telecom subscribers has already crossed the 200 million landmark and is expected to grow further.

The ‘Broadband Policy’ announced in October 2004, expects to achieve a target of 40 million internet subscribers and 20 million broadband subscribers by 2010.

Roads

For sustained economic growth existence of well connected roadways network is a must. To ensure this, the government established the National Highways Authority of India. NHAI announced National Highway Development Programme to upgrade the national highways in 1995. Further, to strengthen the rural connectivity the Pradhan Mantra Gramodava Yojana (PMGY) was launched in December 2000 to provide connectivity to rural India.

NHAI was entrusted with the responsibility of implementing a greatly expanded National Highways Development Project spread over seven phases with an estimated expenditure of Rs.2,20,000 crore. NHAI intends to execute most portion of the NHDP through public private partnership. In all 24,000 km length national highways will be created in the next 10 ten years. Model concession code is being developed to ensure higher participation from private parties.
The Central government has created a dedicated fund called Central Road Fund (CRF) from collection of cess on petrol and diesel. The fund is utilized for development and maintenance of national highways, state roads and rural roads.

Though private companies are willing to invest in road building, they are currently wary of decent returns on their investments. If government ensures this through a lucrative model concession agreement, the response from private sector would be phenomenal.

**Shipping**

India has 12 major ports and around 180 minor and intermediates ports. Barring a few no other ports are of international standard. To attain this heavy infusion of funds is required. This can be achieved only with private participation.

The shipping ministry unveiled the Rs.100,400 crore National Maritime Development Policy in December 2005. Around half of the proposed investment is expected from the private sector. To ensure this the government allowed private participation in construction and operation of container terminals, bulk and specialized cargo berths, warehousing, dry dock and ship repair facilities, etc. However, the sector has managed to get only lukewarm reaction from the private sector.

**SEZ**

It seems Indian government is in a hurry to set up SEZs across the country. The Special Economic Zone Act 2005 was enacted in February 2006. The government expects investment of the order of Rs.100,000 crore over the next three years.

So far 234 applications have been cleared by the Board of Approvals at the Union level and of which 100 SEZs have been notified at state levels. Though private sector response was huge, the wavering stands taken by the Union government in the recent past has made private investors to adopt a wait and watch policy before committing huge investments.
1.4 Object

India’s is a mixed economic system is characterized by the existence of the private and public sectors. India has a multiplicity of sectors: private (dominant undertakings, foreign companies, etc.) public, joint, co-operative, workers’ sectors and also ‘tiny sector’. We hear of different sectors in different areas of the Indian economy: big sector, small sector, heavy sector, light sector, licensed sector, deceased sector, national sector, core sector, reserved sector, etc. India is a complex vector of sectors.

Secondly, a simple mixed economy is characterized by complementarily between central planning and pricing. India has a multiplicity of mechanisms at work: five-year plans, annual plans during plan holidays, pointed economic reform and reconstruction programmes during and after plan vacations, ideas of rolling plans, an elaborate system of controls and regulatory measures, attempts towards streamlining and simplification of procedures, private traders and public distributors for the same product and hence a system of dual prices, ceiling prices, floor prices, subsidized prices, statutory prices, retention prices, procurement prices, levy price and free market prices, contractionary monetary policies and expansionary fiscal policies etc. In India there is complex system of liberal rules, strict regulations, control mechanisms, planning and a host of price regulations which of course are being gradually relaxed.). The present day mixed economy of India has evolved through a series of policy formulations and legislations. It started with the Industrial Policy Resolution of 1948. This was followed by the Industries (Development & Regulation) Act 1951, the Directive Principles of State Policy 1950, the Industrial Policy Resolution 1956, the Monopolies and Restrictive Trade Practices (MRTP) Act, 1969 and its subsequent amendments MRTP Act now became competition Act 2002. The Industrial licensing policy, 1970, These enactments and now became (FEMA) policy formulations have been modified or supplemented from time to time by comprehensive five year plans, the 20 points programme, controls and regulations on prices, output, production, distribution and trade, various
nationalization schemes, anti-poverty schemes, and finally the economic reforms initiated in 1991.

During the decade of the 1980s the Indian mixed economy took a decisive direction. It all started with the announcement of the Industrial Policy statement of 1980. The purpose of this policy was to ensure attainment of socio-economic objectives such as optimum utilization of capacity, maximum production, employment generation, export promotion import substitution, consumer protection, correction of regional imbalances through the development of industrially backward areas and “economic federalism” with an equitable spread of investment among large and small units, among urban and rural units, etc. Some important provisions of the 1980 policy were.

- Regularisation of excess capacity.
- Development of “nucleus plans” (on the line so District Industries Centres)
- Reorientation of the public sector, including the development of its managerial cadres.

Liberalisation measures were supplemented by relaxation in price and distribution controls, amendments in the provisions of the MRTP Act relating to the definition of “market dominance”, exemption from the need to obtain MRTP clearance for production in sectors of “national priority”, etc.

During 1983-85, the industrial policy pursued by the Government of India placed emphasis on modernization and technological up gradation for better capacity utilization and larger production.

During 1985-87, the Government took a large number of measures to encourage the private sector. Some of these measures which were broadly referred to as “privatization” and “liberalisation”.
1.5 **Significance**

The new economic policy was announced in July 1991 which is of for reaching importance. The new economic policy, among other things, has bearing on: (i) Industrial Licensing (ii) Foreign Investment and Foreign Technology Agreement (iii) MRTP regulations and (iv) Public Sector.

**Industrial Licensing**

The statement of new economic policy emphasized that the system of industrial approval needed a number of changes to actively encourage and assist Indian entrepreneurs to exploit and meet the emerging domestic and global opportunities and challenges. The bedrock of policy measures must be to let the entrepreneurs make investment decisions on the basis of their own commercial judgment. Government policy and procedures must be geared to assist the entrepreneurs in their efforts by making essential procedures fully transparent, by even-inating delays and removing restraints on capacity creation, while, at the same time, ensuring that overriding national interest are not jeopardized.

The decisions taken in this respect are listed as under:

- Abolition of industrial licensing for all projects except for a short list of industries related to security and strategic concerns, social reasons, hazardous chemicals and overriding environmental reasons and items of elitist consumption. Industries reserved for the small scale sector would continue to be so reserved.
- Areas where society and strategic concerns predominate will continue to be reserved for the public sector.
- In locations other than cities of more than 10 laks. (1 million) population there will be no need for obtaining industrial approvals from the Central Government except for industries subject to compulsory licensing.
- Exemption from licensing will apply to all cases of substantial expansion of existing units.
Changes in MRTP Regulations: A significant change initiated by the new policy was the removal of the Threshold limits of assets in respect of MRTP Companies and dominant undertakings. With this decision prior approval of the Central Government will not be required for the establishment of new undertakings, expansion of undertakings, merger, amalgamation and takeover of companies. Instead, emphasis will be on controlling and regulating monopolistic, restrictive and unfair trade practices as provided under the MRTP Act.

Public Sector Policy: In the context of massive investments made, the policy statement noted two aspects of the performance of public enterprises. The mature enterprises have successfully expanded production, opened up new areas of technology and built up a reserve of technical competence in a number of areas.

Challenge of Global Competition and Quality Standards: Industrial enterprises in India, after years of protection from foreign competition, have been exposed to competitive markets both within and outside since the policy of liberalisation was initiated in 1991. With the entry of MNCs and growth of foreign companies, domestic product markets are being increasingly subjected to forces of competition. On the other hand, export promotion is directly linked with the competitiveness of Indian products in markets abroad.
1.6 Design

The Legal Environment of Business for describing and analyzing the legal environment of business in India, there are some specific socio-economic legislations, they are

- Company Laws
- Laws relating to capital market
- FERA (Foreign Exchange Regulation Act) now became FEMA - Foreign Exchange Management Act.
- IRDA (Insurance regulatory & Development authority)
- Trade Unions Act.
- Bonus ordinance
- Factory legislations
- Social Security Enactments
- Laws for consumers protection.

This list is not exhaustive, it is just illustrative. There are many more legislations which are important from the standpoint of business and industry in India.

A. Company Laws

In the present political – legal environment, company laws include represents the principal laws affecting the organisation and management of corporate business. Originally this law used to be concerned with joint stock companies only, but today its scope has increased. It covers different types of companies – their incorporation, their constitution, their management and even the manner of their dissolution.

- Recently Proposed Changes

A working group was constituted by The Government of India to suggest changes / modifications in the companies Act 1956.
Based on the recommendations of this group, the Government introduced in early May 1997 a draft companies Bill in Parliament.

- The total sections have been compressed from 678 to 457 and the total number of schedules from 15 to only 3.
- It restricts corporate in issuing inter-corporate loans and investment up to the maximum of 60% of their paid-up capital and free reserves, or 100 per cent of free reserves, whichever is higher.
- It proposes to reduce the period of payment of dividend from 42 days to 30 days of the rate of declaration.
- A company cannot invite deposits in case it has defaulted in the repayment of any prior deposit or part thereof or any interest thereon in accordance with the terms and conditions of such deposits.
- The bill seeks to rationalize the classification of companies. The provision with regard to deemed companies is sought to be deleted.

The Draft Bill has drawn wide-spread applause from the chambers of commerce and industry for addressing contemporaneous issues being faced by the corporate which it seeks to resolve in a pragmatic and result – appointed manner. It has been claimed that the bill provides for greater flexibility, self-regulation by companies and ensures transparency.

B. Capital Market

- The Securities Contracts (Regulation) Act, 1956
  This Act is designed to regulate the functioning of stock exchanges in India to prevent undesirable transactions and dealings in securities.
  The objects of SEBI Act are to develop the securities market on healthy and orderly lines and to provide adequate protection to investors. To
this end, it is necessary to promote a market which ensures. * Fairness
* Efficiency * Confidence * Flexibility.
The capital market in India has witnessed tremendous growth in the recent past. There is increasing participation by the investing public. It is, therefore, imperative to sustain the confidence of investors by protecting their interests.

C. Monopolies and Restrictive Trade Practices (MRTP) Act, 1969

The Monopolies and Restrictive Trade Practices (MRTP) Act has its genesis in the Directive Principles of State Policy embodied in the constitution of India. Article 39(b) and (c) there of lays down that the state shall direct its policy forwards ensuring.

i. That the ownership and control and material resources of the community are so distributed as best to sub serve the common good, and

ii. That the operation of the economic system does not result in the concentration of wealth and means of production to the common detriment.

The Objectives of the MRTP Act are:

a) To prevent concentration of economic power to the common detriment and control of monopolies.
b) To prohibit monopolistic trade practices; and
c) To prohibit monopolistic trade practices; and

Monopolies usually benefit a few and cause detriment to many monopolies have a tendency to restrict competition with the result that the monopolistic concerns have a hold on the prices of commodities in the market which ultimately results in the exploitation of many at the hands of a few.

With the initiation of the market economy and the consequent. Liberalisation since 1991, this objective has been substantially deleted. The
MRTP (Amendment) Act, 1991, has omitted provisions regarding the Central Government's permission for substantial expansion, establishment of a new undertakings, mergers, take-over etc. Establishments, howsoever big or small, are now free to expand, or establish new undertakings or effect mergers.

Consequently, the strategic alliance between Godrej Soap and Proctor and Gamble could not be questioned. Likewise the merger of Hindustan Lever and TOMCO, through objected to by certain quarters including the employees of TOMCO, was allowed by the supreme court.

The monopolies and Restrictive Trade Practices (MRTP) Commission has lost much of its teeth which were provided mainly to curb concentration of economic power. There has been a substantial increase in the number of cases taken up by the MRTP Commission on allegations of companies resorting to restrictive trade practices. But cases alleging violation of clauses relating to market dominance, etc. have been very few. A large number of companies have got deregistered following the announcement of relaxations in the Act. This deregistration trend is interpreted as a dear induction of the big houses gradually getting out of the MRTP Act.

Thus this MRTP Act was replaced by competition Act of 2002. This is an Act to provide, keeping in view of the economic development of the country for the establishment of a commission to prevent practices having adverse effect on competition to promote and sustain competition in markets, to protect the interest of consumers and to ensure freedom of trade carried on by other participants in markets, in India, and for matters connected there with or incidental thereto.

D. Consumer Protection Act, 1986

There has virtually been a tradition of exploitation of consumers in India due to shortages and the sellers' markets. The consumers as buyers always had a poor bargaining power. Manufacturers and traders often follow unfair and unethical practices. Though much legislation have been enacted. They have failed to provide any effective protection to consumers due to lack of

2 Economic and Social Environment – Political dogleg Environment MS-3 Book Pg.75.
effective implementation. It is common knowledge that a number of death take place every year due to food adulteration, spurious liquor and contaminated / substandard medicines, etc. many manufacturers and traders, including multinationals, indulge in unethical practices. They make tall claims for their products which turn out to be false. The service sector is no exception to unethical practices and allurements.

To check the onslaught on consumers, a host of legislations had been enacted from time to time. This include sale of Goods Act, 1930, Essential Commodities Act, 1955 the prevention of Food Adulteration Act, 1954, Prevention of Black Marketing and Maintenance of Supplies of Essential Commodities Act, 1980, standards of weights and measures Act, 1956, Agricultural Products Grading and Marketing Act (AGMARK), 1937. Indian Standards Institution Certification Act, 1952, MRTP Act, 1969, etc. MRTP Act. Acquired the elements of consumer protection legislation with the amendments in 1984 when unfair trade practices were brought in its fold. However, in spite of these changes in the MRTP Act, the need was felt for a more comprehensive consumer protection legislation. As a Consequence, the Consumer Protection Act, 1986 was born. It is described as a unique legislation of its kind in India to offer protection to consumers. The main objective of the Act is to provide better protection to consumers. Unlike other laws which are punitive or preventive in nature, the provisions of this Act are compensatory in nature. The Act intends to provide simple, speedy and inexpensive redressal to consumers’ grievances.

- **Liberalisation and Consumer Protection**: A liberalized economic regime, it must be stated, is in itself a way of protecting the interests of consumers. Liberalisation affords the consumers an opportunity of choosing from a wide range of products & services, and this, coupled with competition brings in sharp focus the fundamental aspects of create emptor liberalisation encourage domestic manufacturers to produce goods comparable to international standards. Unlike the protected regime of the past when manufacturers had almost licence to charge arbitrary prices, they are now constrained to charge competitive or reasonable prices due to the greater play of market forces.
1.7 Methodology

The research methodology adopt here is non-doctrinal as its based on secondary data such as text books, refereed journals, refereed conference papers, research books & collections parliamentary and government reports, industry and professional publications, websites etc.

Indian Experience

The Indian economy has also witnessed a big change in the role of the Government over time. Ever since independence till around the 1980s, as our objective was to have planned economic development without adopting extreme, forms of capitalism or communism. The unprecedented crisis in the Indian economy in 1990-91 was the last straw on the camel’s back. Our foreign exchange reserves fell to an all time low level of $2.2 billion. Inflation rate had already crossed the double-digit-figure and was actually at 14% fiscal defiant had risen to 8.4% of the Gross Domestic Product. The current account deficit on balance of payments was as high as $9.9 billion. International Credit Rating agencies went on to considerably downgrade India’s creditworthiness.

The Government and many economists agreed that a shock therapy was immediately required to pull the Indian economy out of the woods. The world Bank agreed to bail India. Out, but imposed certain conditionality’s for doing so. It wanted 2 major types of programmes to be carried out firstly, there were to be short-term stabilization measures to control inflation and wipe out the balance of payments deficit. The rupee has been devalued to correct the balance of payments deficit. Secondly, there had to be structural reforms to make the Indian economy competitive and attain a high rate of growth with social justice. These have also been accepted and measurers are being taken to liberalise and globalise the Indian economy.

As a result of all this, there was considerable rethinking, reinforced by the conditionality’s imposed by the World bank to help India out of her difficulties steps began to be initiated in the 1980s and these gathered
considerable momentum in the 1990s. A sea change has thus come about in the economic role of the Government in India since the 1990s. Many of the sectors reserved for the public sector have now been thrown open to this private sector. More and More physical controls are being replaced by measures to guide the economy through the market mechanism. Restraints in the way of international trade and factor movements are being gradually reduced. The seeming intention is to make the Indian economy face international competition and become efficient in performance.

- **Structural Dimensions of Indian Economy**: The socio-economic environment of any country can be explained in terms of an institutional framework and a physical framework the economic policy statements of the government, economic plain documents, the political constitution economic regulations and controls, among others which define the role and status of private sector, public sector, multinationals corporations small business etc. The critical elements which constitute the institutional framework of an economic environment. The trends in economic variables such as income, price, output, investment, foreign trade, labour supply and other factor endowments and the structural relation among these variables constitute the physical framework of an economic environment.

  Describing and analyzing the economic environment is a difficult task. Dissertation and personal judgment play an important part. Difficulties arise in the context of both institutional and physical framework. Just as various interpretations of policy statements are possible various conclusions could also be drawn from the economic data.

  The purpose of gathering (mainly from official sources) and analyzing data is to obtain a clear picture of major economic trends and structural changes in the economy. The trends and structural co-efficient together enable us to make a quantitative assessment of the economic environment of a business / firm and thereby to outline strategies for macroeconomic management. A knowledge of economic trends and structural changes thus help the firm to plan out a corporate
strategy and policy to cope with short-run and long-run challenges of business environment. This argument is particularly valid for a developing country.

- **Economic Growth And Development**: “Growth” and “development” are sometimes used synonymously in economic discussion. Though the two terms are used interchangeably, they have different connotations. Economic growth means more output, while economic development implies both more output and changes in the technical and institutional arrangements by which it is produced and distributed.

  Growth may well involve not only more output derived from greater amounts of inputs but also greater efficiency that is, an increase in productivity or an increase in output per unit of input. Development goes beyond this to imply changes in the composition of output and in the allocation of inputs by sectors. As with human beings, to stress “growth” involves focusing on height or weight (or national income), which to emphasize development draws attention to changes in functional capacities in physical coordination, for example, or learning capacity (or ability of the economy to adapt).

- **Economic Growth**: Economic growth may be defined as a significant and sustained rise in per capita real income. One must distinguish the ‘level’ from the rate of economic growth, though two concepts are obviously related. The level of economic growth of a country is measured by the size of national (or per capita) real income. The percentage change in this level over a year is the annual rate of growth.

- **Economic Development**: “Economic development” is a broader concept than “economic growth”; As and when the economies grow in terms of national and per capita income levels, certain structural changes accompany the process of growth. Conceptually the trends in income and the structural changes together constitute economic development.

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Economic and social environment MS-3 structure of Indian Economy Book-2 pg.6, 7&8.
The structural changes which are quite fundamental in character are inherent in the process of economic growth. The upward trend in per capita real income (that is, economic growth) implies, given the labour force participation rate, a rise in product per worker or labour productivity. An increase in labour productivity cannot result without capital accumulation and fundamental changes in the production function (functional relationship between flows of output and corresponding flows of inputs) of the economy. A progressive shifts in the production function is the direct outcome of technological advancement, and science is the base of modern technology.

- **Private Sector in India** : The private sector is subject to various regulations / laws so that subserves the social and economic objectives of economic planning for development. The unregulated capitalism in the western countries during the 19th Century and the first quarter of the twentieth century was found to be suffering from several limitations and evils. The Keynesian Revolution clearly brought out the role of government in ensuring stability in a capitalist economy. The 19th Century Police State (in the sense that its main function was limited to maintenance of law and order) has given way to 20th Century welfare state wherein the state plays an important regulatory and promotional role in the economic realm. The Keynesian Revolution has put the last nail into the coffin of virgin – pure – capitalism. The regulated or controlled capitalism is an observable fact now.

- **Nature and Scope of the Private Sector in India**⁴ : The private sector refers to all types of individual and corporate enterprises domestic and foreign, in any field of productive activity with the intention of making a profit. The characteristic of the private sector enterprises is that their ownership and management lies in private hands. The “enlightened self-interest” guides the running of private enterprises. Enterprise initiative and strong profits motive are the most distinguishing features of private enterprise. Private enterprise with the

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⁴ Economic and Social environment structure of Indian Economy Private Sector in India. Book-3, Pg.73-74.
above characteristics is an integral part of the capitalize economic system.

Since the Industrial Policy Resolutions of 1948 and 1956 the distinction between the private sector and the public sector has became increasingly significant. The industrial policy has made Indian economy a mixed economy. The Industrial Policy Resolution, 1956 (which is considered as the ‗economic constitution of India‘) has clearly demarcated the scope and role of the public and private sector.

The resolution laid down three categories of industries which bear a close resemblance to the classification adopted in the 1948 Resolution but public and private sectors were sharply defined. The three categories were.

I. Schedule A. This consisted of industries which were to be an exclusive responsibility of the state for eg. Arms and ammunition atomic energy, iron and steel.

II. Schedule B. This consisted of industries which were to be progressively state-owned and in which the state would generally set up new enterprises, but in which private enterprise would be expected only to supplement the effort of the state viz. mining industries, aluminum and other non-ferrous metals not included in Schedule A.

III. Schedule C. This consisted of all the remaining industries and their future development, in general was to be left to the initiative and enterprise of private sector.

The New Industrial Policy announced in 1991 has significantly reduced the role and scope of the public sector.

Broadly Speaking, the public sector is to assume the responsibility of developing basic and heavy industries, social and economic overbeads (infrastructure) while the private sector is left with the right to develop consumer goods industries. The private sector has in its fold the whole of agriculture and allied activities, plantations, internal trade, road freight traffic etc. As the most organized component of the private sector is the corporate
sector the private sector has indeed come to mean, in common parlance, the private corporate sector.

- **Growth and Structure of the Private sector in India**: The importance of the private sector in the Indian economy can be assessed in terms of its contribution to national income and employment. According to the latest available statistics for the year 2009-2010 the public sector, including government administration contributed 25 per cent of the domestic product while the private sector contributed 75 per cent. The share of private sector is dominant in agriculture, forestry, fishing, small-scale industry retail trade, construction transport other than railways etc.

The largest industrial activity among the private sector corporate units in terms of paid-up capital was processing and manufacture of metal products followed by chemicals, textiles, leather and leather goods, manufacture of food stuffs, other processing and manufacture, commerce, agriculture and allied industries, construction, etc.

- **Small Scale Industry in India**: Small scale industry occupies a prominent place in the industrial economy of the work. Its contribution in terms of number of units, employment and industrial production is quite impressive in both developed and developing countries.

Small scale industry is a heterogeneous group in India. It comprises household industries, unregistered workshops and small scale factories. A manufacturing unit which makes use of only household labour is a household industrial unit. A manufacturing unit which employs 10 or more workers with power or twenty or more workers without power is a registered factory as per the Indian Factories Act, 1948.

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5 Economic and Social Environment – MS-3 – Structure of Indian Economy – Book-2 Private Sector in India Pg.76-77.
• **Industrial Policy for Small Scale Industry**\(^6\): It was the New Industrial Policy (NIP) which marked the watershed in India’s SSI Policy. It was in 1991 that the Government of India announced a separate industrial policy for SSI. Till then, policy measures for SSI formed a part and parcel of the general industrial policy of the country. Further, in all earlier industrial policies, emphasis was on protection as much as on development. The NIP, 1991 marked a departure from the past as the thrust was on SSI development more than anything else.

Several innovative policy guidelines are introduced:

- Equity participation in SSI for large (domestic and foreign) enterprises is allowed up to 24 percent. This is to encourage modernization and technology upgradation.
- Introduction of technology upgradation schemes called “UPTECH”, in selected centers in SSI chartered regions.
- Private industry can also set up industrial estates.

Thus, in terms of policy measures small scale industry has gained increasing importance, gradually and steadily. Though all the industrial policies have underlined the importance of SSI growth for Indian economy, the NIP of 1991 for SSI is distinct as it lays more thrust on SSI development through innovative schemes for improving competitiveness in the liberalized economic development.

• **Growth of Small Scale Industry in India**: The contribution of small scale industries to Indian economy in terms of employment generation, industrial production and exports is remarkable. This is specially true in the 90s. When the New Economic Policy (NEP) was introduced in 1991, there were widespread fears that economic liberalisation would adversely effect the growth of small scale industry. But contrary to all apprehensions, small scale industry has been growing unabatedly in the 90s. The growth in SSI production is much higher than that of the industry as a whole.

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\(^6\) Social Economic Environment MS Structure of Indian Economy small Scale Industrial in India pg.90-91.
• **Problems & Prospects** : A small scale industrial unit is subject to visit of different kinds of government officials from different departments such as excise, labour, factory, pollution controls, electricity, etc. The visit are the ensure the adherence of SSI units to the rules & regulations applicable to them. However, small scale entrepreneurs in the process, are said to be subject to harassment and disruption of work. The visit of various inspectors to SSI units for law enforcement, commonly known as “Inspector Raj” is said to be a major bane of SSI sector.

• **Sickness in Indian Industry**\(^7\) : The phenomenon of industrial sickness, both in large and small scale industry, has became quite widespread during the last several years. This was particularly significant in the small industry sector resulting in the closure of a number of units.

  Sickness may arise due to a multitude of reasons. The effects, however, are the same, e.g. financial hardships and unemployment of labour engaged in the industrial units falling sick, and wastage of national resources. It is, therefore, considered essential not only to devise suitable measures for dealing effectively with sick industrial undertakings but also to make suitable arrangements for monitoring and detecting industrial sickness at early stage.

  It is generally observed that a sick unit is one which works below 20 percent of its installed capacity. Also a sick unit is defined as one which operates at lower than break even point.

• **Factors Responsible for Industrial Sickness** : The factors responsible for industrial sickness can be divided into two categories : Exogenous Factors, and Endogenous factors.

  Some of the exogenous factors relate to such factors as government policies pertaining to production, prices and distribution. Change in the investment pattern following new priorities in the plans is yet another factor. Further shortage of power, transport, raw materials,

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\(^7\) Social and Economic Environment MS-3 structure of Indian Economy Book-2 Small Scale Industry in India & Sickness in Indian Industry Pg.96-97 and Pg.104
deteriorating industrial relations are some other factors to be noted in this connection. Such factors are likely to affect all units in an industry. These factors may cause sickness of the industry. If state policy is the cause of sickness, then corrective action should be taken at the government policy level. An illuminating example of government policy causing industrial sickness is the controlled cloth scheme. Another is the administered coal prices before nationalization of coal mines.

The most important endogenous factor causing industrial sickness has been weak management or mismanagement. In a large number of units, sickness was caused by bad management. In a highly protective environment (prior to 1991’s new economic policy), many persons with no managerial abilities entered the field and set-up industrial enterprises. Some of them indulged in malpractices. Some took a short-sighted view of development and concentrated on making quick money.

- **Measures to tackle Industrial Sickness**\(^8\) : One remedy for potentially viable sick units may do everything possible in order to revive them, the other may be to create an efficiency – oriented environment by encouraging competition and by reducing the stifling controls over the industry. The New Industrial Policy seeks to bring about necessary reforms in this respect.

  With economic liberalisation and the new industrial policy announced in 1991. It is believed that there is a need to re-examine the role of Government in tackling the problem of industrial sickness. Meddling with the operation of inexorable economic laws in the name of reviving sick units may prove counter productive and detrimental to the effective working of the industrial economy of the country.

- **Planning Goals and Strategies** : The three major strategies that have been adopted in India since the beginning of the second plan are:

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\(^8\) Economic and Social Environment MS-3 Structure of Indian Economy Sickness in Indian Industry structure pg.109-111
  
  - **First**, areas hitherto reserved for the public sector were to be opened to the private sector. Although the government failed to transfer the ownership of public sector undertakings to the private sector in view of the strong opposition by the workers and left parties, it did liberate the economy and opened areas of heavy industry and economic infrastructure to the private sector—both domestic and foreign.
  
  - **Secondly**, the government abolished licensing in all industries except a small list of 18 industries now reduce to 8 industries only. In other words, it removed bureaucratic shackles of investment.
  
  - **Thirdly**, it freed the MRTP companies from the ceiling on assets. This implied that even big business was allowed to invest without any ceiling being prescribed by the MRTP commission. Obviously, considerations of growth dominated more with the government than those of monopoly control.
  
  - **Fourthly**, foreign direct investment was facilitated. Automatic approvals for direct foreign investment upto 51 per cent in high priority areas. Were granted Government was even prepared to consider proposals involving more than 51 per cent equity on case by case base.
  
  - **Fifthly**, performance of the public sector undertakings was to be improved by granting them greater autonomy for this the memorandum of understanding (MOU) was devised and PSUs Management and boards were made more professionally.
  
  - **Lastly**, to globalise the economy the government followed a policy of reducing import barriers and also one of encouraging, export promotion such a course would facilitate the free flow of

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*Economic & Social Environment – MS- Planning and Policies Book-3 Planning Goals and strategies – pg.16.*
foreign capital and technology and thus help to modernize our economy.

- Rao-Manmohan Model of development has also been the subject of criticism. The main points of criticism are.
  
  i. The model has by-passed agriculture and agro based industries which are the major sources of employment generation.
  
  ii. The model has a very narrow focus since it emphasizes the corporate sector growth which accounts for only 10 percent of GDP.
  
  iii. Although in the Industrial Policy of 1991, multinational corporations (MNCs) were to be permitted in high priority areas, the government has been Indiscriminately permitting them even in consumer goods industries. Need it be emphasized that MNCs follow a highly capital intensive pattern of production and have the us restricted the growth of employment.
  
  iv. MNCs after entry in various joint ventures raise their equality to 51 per cent level or even more and thus push out the Indian partner. This has led to the Indian Industry asking for protection against the onslaught of multinationals.
  
   To sum up, Rao-mohmohan model has succeed on growth by raising GDP growth rate to more than 6 per cent level, but it has failed on equity, employment and poverty removal.
  
- **Assessment of Industrial Policy (1980)**

  The government intended to regularize excess capacities. It also proposed automatic expansion of capacity to all industries listed in the first schedule of Indian Industries (Development and Regulation) Act. The plea for doing this was the keen desire to make full use of installed capacity to maximize production. This policy was welcomed by big business because liberalisation indicated in the policy was silent endorsement of regularisation
on unauthorized excess capacity. The critics feel that the government should not have given blanket liberalisation in case of all industries but it should have acceded to the sanctioning of unauthorized capacities in case of those industries which were high priority areas for the country such as cement, paper, sugar, fertilizers, caustic soda, etc. but should have denied it to low priority areas like chocolates, baby foods, cosmetics, synthetic detergents, etc. 90 provide an open general licence for big business was not justified. To sum up, the industrial policy of 1980 favoured a more capital-intensive pattern of development and thus it attempted various measures of liberalisation for helping the large sector. It underplayed the employment objective.
1.8 Hypothesis

Environment of Business

The term “environment” refers to the totality of all the factors which are external to an beyond the control of individual business enterprises and their managements. Environment furnishes the macro context, the business firm is the micro unit. The environmental factors are essentially the “givens” within which firms and their managements must operate. For example, the value system of society, the rules and regulations laid down by the Government, the monetary policies of the Central Bank, the institutional set-up of the country the ideological beliefs of the leaders, the attitude towards foreign capital and enterprise, etc., all constitute the environment system within which a business firm operates. These environmental factors are many in numbers and various in form. Some of these factors are totally static, some are relatively static and some are very dynamic – They are changing every now and then. Some of these factors can be conceptualized and quantified, while others can be only referred to in qualitative terms. Thus, the environment of business is an extremely complex phenomenon.

Sometimes the environment may be classified into market environment and non-market environment depending upon whether a business firm’s environment is influenced by market forces like demand, supply number of other firms and the resulting price competition or non-price competition, etc., or by non-market forces like Government laws, social traditions, etc. finally, we may classify the environment into economic and non-economic. Non-economic environment refers to social, political, legal, educational and cultural factors that affect business operations. Economic environment, on the other hand, is given shape and form by factors like the fiscal policy, the monetary policy the industrial policy resolutions, physical limits on output, the price and income trends, the nature of the economic system at work the tempo of economic development, the national economic plan, etc.

By considering a firm as an economic institution in a market system. The market behavior of the firm reflects the nature of the economic decisions taken by the manager of the firm. Micro-economic decision – making by the
firm has never the less to be made within the broader macro-economic environment. As government is the manager of the economy. The nature of government ownership, control and regulation of the economic activities of a country provides form and shape to the nature of economic organizations. In a capitalist society, the private sector, induced by the profit motive and led by the free market, takes the major economic decisions of investment, production and distribution. In a socialist society most of the economic decisions are taken by the government which is guided by the social welfare motive and control planning. In a communist society economic decisions, including those of consumption, are taken by the state in the interest of the community as a whole. In a mixed economy, the private, public and joint sectors and the like all have some say in the major decisions that influence the functioning of a economy.

There are certain points can be made about the organisation and functioning of modern economics.

i. In most economies both ‘free market mechanism’ and ‘centralised planning’ exist in different degrees even today. By ‘free market mechanism’ or ‘price mechanism’, we mean a free play of the market forces of demand and supply to determine an equilibrium solution of the allocation problem. Thus, the economy in which a business firm operates today is not an exclusively free economy making an indiscriminate use of prices and the markets. Rather it is directed by a system of planning, control, regulation and co-ordination.

ii. In most economies, positive intervention by the government in day to day economic affairs has existed over several decades in the past planning is a form of governmental intervention. Besides this, the Government can also intervene through a system of controls and regulations. The “Welfare state” principle induces the government to enforce minimum wages, commodity controls, fair trade practices, etc. through legislation. The basic objectives of such economic legislations and policies are: growth, efficiency and equity. It is the intervening role of modern governments that has made most business firm socially responsible.
1.9 Sources

Research depends on social legal aspects as it reveals development after doing away with the control and data is collected through secondary source it includes Censuses, Surveys, organizational records and data collected through qualitative methodologies or quantitative research it is based on statistical data and database research.