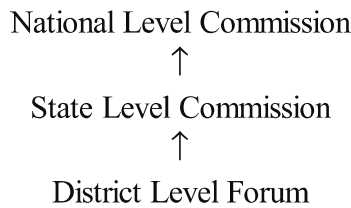


Three-Tier Redressal System :



(A) District Level Forum : This is the basic or primary level. At the district level, every State Government set up this forum. There are atleast three members appointed by the State Government, one as the President and there should be atleast two more. The President should be legally qualified and experienced. Out of these three, atleast one should be a woman member. If the price and compensation demanded for the disputed product or service is ₹ 20 lakhs or less, the redressal process can take place at the District Level Forum. After receiving the complaint, the District Level Forum sends it to the other concerned party by the district level forum. If needed, the district forum can send the product for the laboratory for testing. The district level forum listens to both the parties and if needed gets the product tested in the laboratory and based on the statement of the laboratory solves the dispute. If either of the parties is not happy with the judgement, then he can appeal at the State Level Commission for re-examination within 30 days of the judgement of District Level Forum.

(B) State Level Commission : It is the responsibility of the State Government to set up a State Level Commission. Atleast Three members including one as President should be appointed who should be legally qualified. There should be atleast one woman member. If the price and compensation demanded for the disputed product or service is more than ₹ 20 lakhs and equals to or less than ₹ 1 Crore, the redressal process can take place at the State Level Commission. Any consumer who has dissatisfaction over the judgement of the District Level Forum can apply to the State Level Commission within a period of 30 days. After receiving the complaint, the State Level Commission sends it to the accused. It listens to both the concerned parties, if needed it will send the product to the laboratory for testing. The consumer redressal will be taken on the basis of the presentation of both the parties and report of the laboratory. If any party is not statisfied with the State Level Commission, then within 30 days of the judgement of State Level Commission, it can appeal for re-examination with the National Level Commission.

(C) National Level Commission : The responsibility of setting up this commission lies with the Central Government. Along with one President, atleast four other members are appointed and thus there will be atleast five members. The President will be either existing or a retired judge of the Supreme Court. Out of the members appointed, atleast there will be one woman member. If the price and compensation demanded for the disputed product or service is more than ₹ 1 Crore, the National Level Commission can be approached. Any party who is not satisfied with the judgement of the State Level Commission will be handled by the National Level Commission. When a complaint is registered with the National Level Commission, it will be sent to the accused party. The National Level Commission listens to the arguments of both the parties and if it is needed will get the product tested in a laboratory and considers the report to settle the dispute. If the judgement of the National Level Commission does not satisfy either of the parties, they can appeal for re-examination with the Supreme Court in due course of time.

This directly implies that if the parties concerned are not satisfied with the dispute settlement of District Level Forum, they appeal to the State Level Commission within 30 days of the judgement of District Level Forum and if they are dissatisfied with the State Level Commission, they can go to the National Level Commission within 30 days of the judgement of State Level Commission and if the parties concerned are not satisfied with the dispute settlement of National Level Commission, they can knock the doors of Supreme Court within reasonable time limit after the judgement of National Level Commission.

11.2.4 Available Remedies / Reliefs for Consumers : If the consumer court accepts the complaint, it can allow one or more reliefs out of the following in the favour of consumer :

- (1) It can direct to remove the defects existing in the product or the service.
- (2) It can direct to refund the money for the defects in the product or the service.
- (3) It can order to exchange defective product with the new (fresh) product.
- (4) If due to the negligence on part of the seller, there the consumer has to suffer any loss or injury, he can be compensated for the same.
- (5) If the case so demands, penalty also can be imposed on the seller.
- (6) Unfair and prohibitive business practices can be stopped and can order not to repeat the same in future.
- (7) Production and sales of harmful products can be stopped.
- (8) Harmful products can be stopped from being sold.
- (9) If defective product or deficiency in service is found, atleast 5% of amount of total sales should be ordered to deposit in Consumer Protection Fund or to any institution or person working with the objective of utilizing the amount for a specific purpose.
- (10) It can direct to remove misleading advertisements and introduce improvised advertisements.
- (11) It can order to make reasonable payment to the affected party (Consumer) by way of compensation.

11.3 Consumer Awareness

Consumer himself, industrial units, government and private institutions together are working towards consumer awareness. Most of the consumers are not aware of their rights and responsibilities and in the event of exploitation, they have no idea regarding what types of efforts should be taken. Consumers are made aware of their rights and responsibilities by various consumer awareness programmes. When consumers' rights are violated, necessary information and legal aid are extended to them. Every year, 15th March is celebrated as World Consumer Rights Day.

(1) Lok Adalat : Most industrial units organize Lok Adalat for the genuine complaints of their consumers. The consumer represents his case in this court. Redressal is done mostly then and there itself. This Lok Adalat enables quick effective redressal of the consumer complaints at a low cost. e.g. Bharat Sanchar Nigam Ltd. (BSNL) organizes Lok Adalat frequently.

(2) Public Interest Litigation-PIL : Every one is not capable enough to file complaints individually in a court either because of economic reasons or due to lack of time. There are certain aspects which affect an entire society rather than an individual or groups of individuals. An affected person or a group or any common man of the society can write an application on a plain paper to the High Court of the concerned State or directly to the Supreme Court. If the court feels the application to be relevant, it can be converted into a case and after hearing the arguments of both the parties, judgement is given by the respective court.

(3) Eco Friendly Products : Those industrial units which produce their products with very less pollution, are allowed to use "Eco Mark" which is given by the Environment Department of the government of India. Due to this "Eco Mark", consumers will be encouraged to purchase that product and this, in turn, will give impetus to such industries which protects environment.

Role of Consumers' Union and Non Government Organizations (NGOs) : In India a number of consumers' union and Non-Government Organisations are actively working towards maintaining and protecting the interests of consumer. NGOs that are non-profit making organizations

are set up to improve public welfare. They have their own independent constitution. They are free from Government interference. They work towards maintaining and protecting the welfare of consumers. The various functions of these organizations are :

- (1) Educating about the rights of consumers through seminars, conferences and workshops.
- (2) Publishing periodicals, notices, booklets etc. to spread awareness regarding consumers' problems legal awareness, eligibility of compensation and other favourable information.
- (3) Consumers are informed about the comparison of various products and services available in the market, quality analysis by the authorised laboratories and their reports.
- (4) Support to provide the consumers legal informations and aid for the legal formality.
- (5) Essential support is provided to the consumers to oppose unethical, exploitative and unfair sales practices of the sellers.
- (6) Complaints are registered in the consumer court to protect the interest of the consumer.
- (7) All required assistance is provided to a consumers who want, to complain in the Consumer Court.
- (8) Consumers' satisfaction and their related information are compiled and published.
- (9) Films and informations are released to educate consumers.
- (10) Consumer education programmes are organized in schools and colleges. and students are educated for consumer protection.
- (11) Awareness is created against food adulteration.
- (12) To provide support to Government institutions which work towards spreading consumer awareness.

A number of institutions working in the field of consumer awareness and out of that some are mentioned below :

- (1) Consumer Education and Research Centre (CERC), Ahmedabad.
- (2) Consumer Protection Council (CPC), Ahmedabad.
- (3) Voluntary Organisation in Interest of Consumer Education (VOICE), Delhi.
- (4) Consumer Guidance Society of India (CGSI), Mumbai.
- (5) Consumer Unity and Trust Society (CUTS), Jaipur.

Consumer Co-ordination Council, (CCC), Delhi co-ordinates the work of various other institutions working for consumer protection. Various private agencies which work towards consumer protection are members of Consumer Co-ordination Council. Consumer awareness activity is also done by Consumer Department of Government of India who, by advertisements under the heading 'Jago Grahak Jago', and providing National Consumer Helpline (NCH) tollfree number, web site, etc. help the consumers.

In India, much is being done in the field of consumer awareness. Rise in education has resulted in an increase in consumer awareness regarding their rights. Consumer rights have been included in the syllabus of school and college syllabi. Necessary changes have been made in legal provisions. Work is going on speedily towards resolving the disputes of consumers in consumer court. In this way work is going on in the direction of consumer awareness, but there is scope for more work as India is a big country with a high population.

Meaning of Consumer Protection : Providing shield to consumer from the unethical, exploitative and unlawful practices of sellers or manufacturers.

The Exploitation of consumers can be categorised under three heads : (1) Physical and Mental Exploitation (2) Economic Exploitation (3) Against Public Interest.

Meaning of Consumer : According to the Consumer Protection Act a consumer is “a person who receives goods or services against an exchange the pays or agrees to compensate partly or fully or promises to compensate on a future date or has participated in some future payment plan. Any user of the product or service who uses it on the basis of the permission of the purchaser is a consumer. But the one who purchases on a resale basis or for further production is not included under the definition of a consumer.”

Importance of Consumer Protection :

Importance of consumer protection from the view point of business : (1) Use of Public Resources and Wealth (2) Social Responsibility (3) Part of the Society (4) Impression on the Society (5) Consumers’ protection is good for business (6) Principle of Trusteeship and consumer protection

Consumer protection from the view point of consumer : (1) Extensive Exploitation of Consumers (2) Ignorance of Consumers (3) Lack of Unity among Consumers.

Consumer Protection Act - 1986 :

Rights of the Consumers : (1) Safety (2) Information (3) Choice (4) Representation (5) Redressal (6) Consumer Education.

Additional Rights of Consumers through United Nations Organization Directive : (i) Basic Needs (ii) Hygienic Environment.

Responsibilities of Consumers : (1) Conscious use of rights (2) Beware of misleading advertisements (3) Care during purchase (4) Solicit for a bill (5) Solicit a high quality (6) Registering of genuine complaints (7) Spread of consumerism (8) Environmental protection (9) No involvement in unethical activities.

Dispute Settlement Institutions According to Consumer Protection Act :

(1) District Level Forum : When the price and compensation demanded for the disputed product or service equals to or is less than ₹ 20 lakhs, it will be dealt by District Level Forum for its listening and settlement. In District Level Forum, atleast 3 members are appointed by state government, out of whom one is the President and one should be a woman member. If either of the parties is not satisfied by the judgement of the District Level Forum, then within 30 days, it can appeal to the State Level Commission for reconsideration.

(2) State Level Commission : If the price and compensation demanded for the disputed product or service is more than ₹ 20 lakhs but equals to or less than ₹ 1 crore, the State Level Commission listens the dispute and settles it. If any party is dissatisfied by the judgement of the District Level Forum and if it is brought to the State Level Commission, it will be heard by them. The State Government appoints atleast 3 members out of which one will be the President and one should be a woman member. If any party is not satisfied with the judgement of the State Level Commission, then within 30 days, it can appeal to the National Level Commission for reconsideration.

(3) National Level Commission : If the price and compensation amount demanded for the disputed product or service exceeds ₹ 1 Crore, the National Level Commission listens to the dispute and settles it. If either party is not satisfied by the judgement of the State Level Commission, it will be handled by the National Level Commission. Atleast five members are appointed by the Central Government out of which one is the President and one should be a women member. Any party can appeal to the Supreme Court in reasonable time if they are not satisfied by the judgement of National Level Commission.

11.2.4 Available Remedies / Reliefs for Consumers : If the consumer court accepts the complaint, it can allow one or more reliefs out of the following in the favour of consumer : (1) It can direct to remove the defects existing in the product or the service. (2) It can direct to refund the money for the defects in the product or the service. (3) It can order to exchange defective product with the new (fresh) product. (4) If due to the negligence on part of the seller, there the consumer has to suffer any loss or injury, he can be compensatee for the same. (5) If the case so demands, penalty also can be imposed on the seller. (6) Unfair and prohibitive business practices can be stopped and can order not to repeat the same in future. (7) Production and sales of harmful products can be stopped. (8) Harmful products can be stopped from being sold. (9) If defective product or deficiency in service is found, atleast 5% of amount of total sales should be ordered to deposit in Consumer Protection Fund or to any institution or person working with the objective of utilizing the amount for a specific purpose. (10) It can direct to remove misleading advertisements and introduce improvised advertisements. (11) It can order to make reasonable payment to the affected party (Consumer) by way of compensation.

Consumer Awareness : (1) Lok Adalat (2) Public Interest Litigation (3) Eco -Friendly Products

Consumers' Unions and the role of Non-Government Organization : Non profit earning consumers' unions and non government organizations work for maintaining and protecting the interest of the consumers. Their work includes (1) Educating about the rights of consumers through seminars, conferences and workshops. (2) Publishing periodicals, notices, booklets etc. to spread awareness regarding consumers' problems legal awareness, eligibility of compensation and other favourable information. (3) Consumers are informed about the comparison of various products and services available in the market, quality analysis by the authorised laboratories and their reports. (4) Support to provide the consumers legal informations and aid for the legal formality. (5) Essential support is provided to the consumers to oppose unethical, exploitative and unfair sales practices of the sellers. (6) Complaints are registered in the consumer court to protect the interest of the consumer. (7) All required assistance is provided to a consumers who want, to complain in the Consumer Court. (8) Consumers' satisfaction and their related informations are compiled and published. (9) Films and informations are released to educate consumers. (10) Consumer education programmes are organized in schools and colleges. and students are educated for consumer protection. (11) Awareness is created against food adulteration. (12) To provide to Government support institutions which work towards spreading consumer awareness.

Institutions Working in the Field of Spreading Consumer Awareness : (1) Consumer Education and Research Centre-(CERC), Ahmedabad (2) Consumer Protection Council-(CPC), Ahmedabad (3) Voluntary Organization in the Interest of Consumer Education-VOICE, Delhi (4) Consumer Guidance Society of India-(CGSI), Mumbai (5) Consumer Unity and Trust Society-(CUTS), Jaipur etc. Consumer Co-ordination Council (CCC), Delhi compiles and co-ordinates the activities of all other institutions working on consumer protection.

Exercise

1. Select the correct alternative and write answer to the following questions :

- (1) When was the Consumer Protection Act passed ?
(A) 1956 (B) 1932 (C) 1986 (D) 2015
- (2) Who has introduced the principles of Trusteeship ?
(A) Jawaharlal Nehru (B) Subhash Chandra Bose
(C) Indira Gandhi (D) Gandhiji
- (3) Out of the following, which has not been included in the Consumer Protection Act 1986, as consumers' right ?
(A) Protection (B) Basic Needs (C) Awareness (D) Choice
- (4) Which one of the following options is not included as Redressal Forum according to the Consumer Protection Act ?
(A) Lok Adalat (B) District Level Forum
(C) State Level Commission (D) National Level Commission
- (5) How many members exist in the District Level Forum ?
(A) Total 3 (B) Atleast 3 (C) Atleast 5 (D) Total 5
- (6) Members of which commission are appointed by the Central Government ?
(A) District Level (B) State Level (C) National Level (D) International Level
- (7) In which court, can the public interest litigation be filed ?
(A) Criminal Court (B) Civil Court (C) District Court (D) Supreme Court
- (8) With which consumer protection organizational set up, Ahmedabad is connected ?
(A) Consumer Education and Research Centre (B) Consumer Guidance Society of India
(C) Consumer Unity and Trust Society (D) Consumer Co-ordination Council
- (9) Which organization works towards compilation and co-ordination of the work of the various institutions working for consumer protection ?
(A) Consumer Protection Council (B) Consumer Protection and Research Council
(C) Consumer Co-ordination Council (D) Consumer Unity and Trust Society
- (10) Which of the following is not done by consumer protection institutions ?
(A) Educating the people regarding consumer rights
(B) Publish information which has consumer interest
(C) List of consumers given to the industries (D) Protect the interest of consumers

2. Answer the following questions in one sentence each :

- (1) Who is the king of the market in a free market system ?
- (2) Under which heads can consumer exploitation be divided ?
- (3) According to the principles of Trusteeship who is the important person in an organization ?
- (4) Which two rights are favoured by the United Nations Organisation in its directive for the consumer ?
- (5) What proof should compulsorily be produced by the consumer to prove his purchase ?

- (6) If the complainant is not satisfied by the judgement of District Level Forum, then to whom should he appeal for reconsideration and within what period ?
- (7) If the complainant is not satisfied by the judgement of State Level Commission, then to whom should he appeal for reconsideration and within what period ?
- (8) If the complainant is not satisfied with the judgement of the National Level Commission, then to whom should he appeal for reconsideration and within what period ?
- (9) In which court can public interest litigation be filed ?
- (10) Give full forms of the following abbreviations :
(i) CERC (ii) CPC (iii) VOICE (iv) CGSI (v) CUTS (vi) CCC (vii) NCH

3. Answer the following questions in short :

- (1) What are the ways in which producers can exploit the consumers to increase their sales of goods and services ?
- (2) Explain about consumers' exploitation.
- (3) Write a note on the Principles of Trusteeship and Consumer Protection.
- (4) Explain consumer protection from the point of view of consumers.
- (5) How does Lok Adalat help in creation of consumer awareness ?
- (6) Write in brief about Public Interest Litigations (PIL).

4. Answer the following questions in brief :

- (1) State the importance of consumer protection from the viewpoint of business.
- (2) What are the rights made available to consumers as per the Consumer Protection Act ?
- (3) Define consumer and state who can complain to the dispute settlement institutions ?
- (4) How is consumer awareness created ?

5. Answer the following questions in detail :

- (1) Explain the responsibilities of consumers according to Consumer Protection Act.
- (2) Explain the 3 tier dispute settlement system according to the Consumer Protection Act.
- (3) What types of relief and compensation are available to the consumer according to Consumer Protection Act ?
- (4) Explain the working of Consumer Protection Institutions and Non-Government Organizations for protection and maintenance of consumers' interest.



What will you learn in this chapter ?

- Introduction
- 12.1 Meaning and Importance
- 12.2 Factors affecting Business Environment
 - (1) Economic Factors
 - (a) Economic System
 - (b) Extent of Economic Development
 - (c) Sectoral Growth and Intersectoral Combinations
 - (d) National Income and Percapita Income
 - (e) Distribution of National Income
 - (f) Monetary Policy
 - (g) Fiscal Policy
 - (h) Other Factors
 - (2) Social Factors
 - (3) Cultural Factors
 - (4) Technological Factors
 - (5) Political Factors
 - (6) Legal Factors
- 12.3 Liberalization, Privatization and Globalization
 - 12.3.1 Liberalization : Meaning and Effects
 - 12.3.2 Privatization : Meaning-Positive Effects-Negative Effects
 - 12.3.3 Globalization : Meaning-Positive Effects-Negative Effects

Introduction

Every business in some way or the other is related to different variable factors of the society like, economic, social, cultural, technological, political and legal or groups like consumers, competitors, suppliers of raw materials, employees etc. e.g. A business sells its produce or service to the consumers. It gives employment to the employees. It purchases raw materials from the suppliers. It keeps competing with the product and service of the competitors. Hence, no business can be operate itself being aloof from the society. Various surrounding factors affect the business. A group of such factors is known as business environment. The one thing that is true of business environment is that it is quite uncertain. There are three types of business units with reference to business environment (1) The business units that expect the environmental aspects well in advance and bring necessary changes. (2) The business units that bring necessary changes based on the existing environmental situation. (3) The business units that are not in a position to adjust to the existing environment easily.

12.1 Meaning :

Economic, Social, Cultural, Technological, Legal factors are all included in business Environment. There are number of groups like, consumers, employees, competitors, suppliers of raw materials who are all part of business environment. Business environment is a combination of various environments which creates new challenges and new opportunities. Any decision taken in business activity will have to take note of this aspect. There are so many factors and obstacles involved in business environment

which are not in any way under the control of an entrepreneur, firm, manager or industry. A firm or manager will have to work in the existing business environment. Due to the continuous change in the situation of a country, the policy also keeps changing.

Thus, business environment is constantly changing because of its changing factors and its effect is always there on business, directly and indirectly. It is imperative for a manager to keep an eye on such factors and change the process of management accordingly. Business environment can lead to obstacle as well as opportunities. The various obstacles arise due to economic conditions, rituals and habits, governmental controls, availability of raw materials, availability of trained employees etc. E. g. Due to political and bureaucratic set up of India, foreign direct investments are less when compared with China.

On the other hand, there is a continuous rise in the demand for airconditioners due to improvement in economic status of the consumers and then changing preferences. Due to this, domestic as well as the multinational companies are bringing in various models in the Indian market. There is expansion and growth of new business opportunities due to improved technology, continuous research and development and improvement in standard of living.

Importance :

(1) Advantage of Early Entry : A study of business environment enables a business unit to understand the opportunities in the market in a better way and hence introduce the product in the market. There is also possibility of change brought in the existing product even before its competitors, and earn profit. e.g. For years, the two wheeler market was dominated by scooter, and sales of motor cycles was negligible. A cycle manufacturing company forecasted that the demand for motorcycles will increase in future and it collaborated with a foreign company for technology and made motorcycles popular. Though at present due to various reasons there is no prevalence of collaboration, it still continues to dominate the motorcycle market with the maximum share.

(2) Sensitivity of the Management : Management has become increasingly sensitive towards the factors affecting business environment. Profit becomes the major objective of every business unit and constant study of factors affecting business increases the profitability. e.g. A unit which was dominating the camera market for years in India, decided to produce printer and copier machine to increase a production capacity and its profitability.

(3) Grab Opportunities : Business environment opens out various opportunities which, when grabbed, can lead to increase in profit. For this, an understanding of environment is essential. For instance, in the international market there is a continuous rise in the prices of petrol and diesel which has led to rise in the demand for fuel efficient vehicles. Many producers have stopped using steel in the vehicle and in its place, light weight yet tough fibre material is being used. This had led to more profitability for these companies.

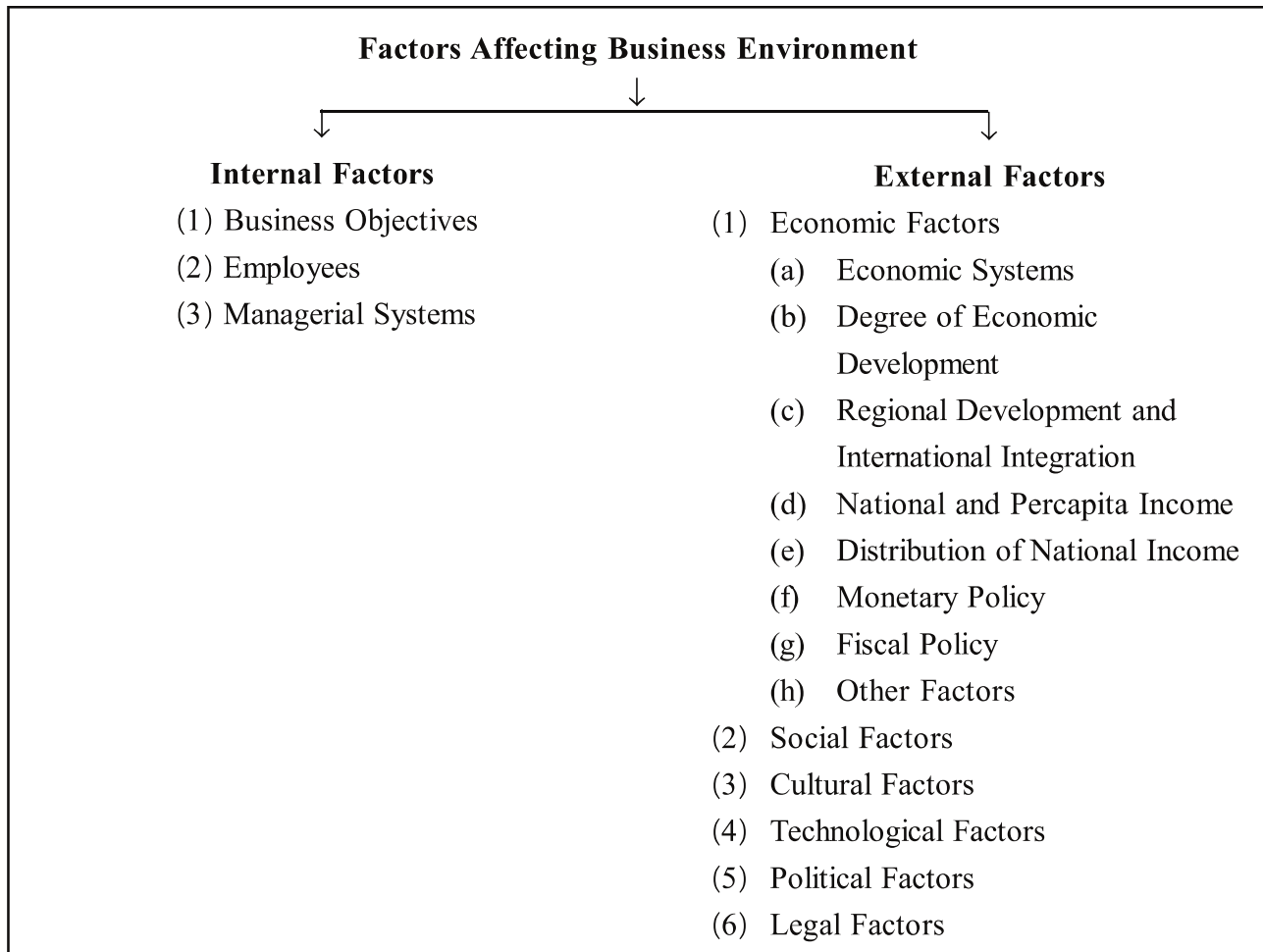
(4) Identifying Dangers : Continuously changing business environment has a number of dangers. Consumers reject certain products. If such dangers are identified well in advance, changes can be introduced. For instance, though radio was popular in the initial years but after the introduction of television, it lost its importance. Later, when service of radio changed with the introduction of F.M. (Frequency Modulation) band, various frequencies and bands were introduced. Each band has its own announcer in the form of (RJ) Radio Jockey and MJ (Music Jockey) and their style is different from the traditional patterns of announcement. This has led to a rise in the popularity of radios once again.

(5) Helpful in Policy Decisions : A business man will have to understand and analyse the business environment if he redesigns his policy decisions, he will be placed in a much better situation. e.g. Insurance business in India. (1) Life Insurance (2) General Insurance. After Independence, insurance business was nationalized and after 1991 as a part of change in the financial policy, the existence of private companies in the insurance business was accepted. In later years, in the private Indian insurance companies foreign direct investment of multinational insurance companies also got accepted. In this way, various business houses in different business fields also started working in the insurance field. Government gives priority to the insurance business. In this environment business enterprises have set up private insurance companies, and have multinational insurance companies participating as direct partners. Through this, they have concentrated on the development of insurance business.

(6) Continious Study : Managment is made to study the business environment on a continuous basis. This has lead to a continuous rise in the size and profit of the business. A study of business environment enables the manager to know future trends like situation of capital market or future demand for the products produced by the business. Through this, a business unit can take up proper planning e.g. In the field of computers, there is a continuous innovation in new softwares and hardwares and those who are involved in this field should be constantly updated. This alone can lead to a continuous development in this field.

12.2 Factors Affecting Business Environment :

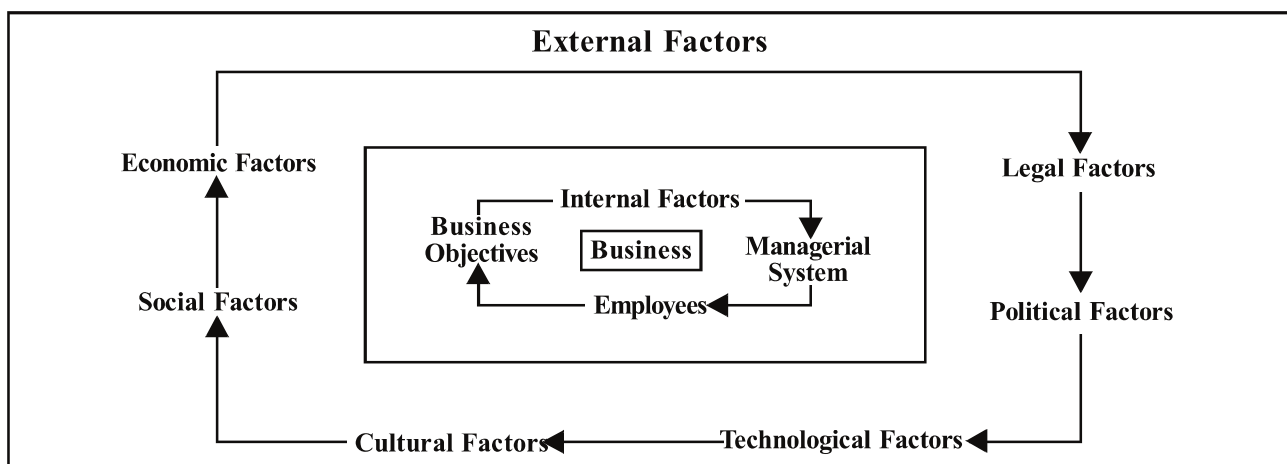
Factors affecting business environment can be divided into two broad classifications :



(1) Internal Factors : Internal factors in a business environment are those which can be largely controlled by the managers. Such factors can be changed by the manager according to the requirement e.g. objectives of business, employees, organizational system, etc.

(2) External Factors : External factors are those which are mostly not under the control of the managers. Business should be changed according to such external factors. These factors can be classified as economic, social, cultural, technological, political, legal etc.

Factors Affecting Business Environment :



(1) Economic Factors : The business decisions of any society or country have a direct impact of special features or the limitations of that economy or society. The size and the nature of business development are predominantly dependent on economic aspects and the following are the important aspects.

(a) Economic System : The working of any economic system and the direction of economy is primarily decided by the economic system. If capitalistic system is prevalent, it means the policy adopted will be that of free trade. In this system, all the major decisions are taken by the producer himself and this boosts the business. In the capitalistic system, governmental intervention is relatively low. As against this, in a socialistic system, all major decisions are taken by the government and individual incentive is nominal. India has adopted a mixed economy in which certain sectors have business freedom while certain others will have governmental dominance. In this way, economic system plays a major role in determining the structure of business in the country.

(b) Degree of Economic Development : The answer to the question, whether a country is developed, developing or underdeveloped from the point of view of an economy can be seen from the favourable or unfavourable business structure. Developed country is such a country in which the level of gross national income and per capita income is high, all the available resources are fully developed and that encourages growth and development of business and industry. Developing country is that where national income and per capita income are showing rising trends, the use of existing resource is on the rise and the living standard of the people is on the rise. Business opportunities increase in such countries. The social structure also undergoes transformation which becomes favourable for business. In underdeveloped countries, income levels are very weak and it weakens the growth. This makes development of business very weak. There is unutilization and underutilization of available resources. Hence, overall situation of slow economic development can become an impediment to business development.

(c) Sectoral Growth and Intersectoral Combinations : Agricultural, Industrial and Service sectors play key roles in economic development of a country.

Agricultural sector can be termed as a primary sector if a major section of population earn their livelihood from agricultures. Development of agricultural sector leads to the aggregate development of an economy. Major economic resources are used only in primary aspects, if an economy is predominantly agrarian. This makes industrial growth very slow.

Minerals and Metals are used in the industrial sector. The production of physical goods is also related to more use of manpower too. Innovation and modernization process gets an impetus which increases business opportunities.

Social and economic services comprise the service sector. If transport, communication, banking, tourism, education, health etc. develop, then investment possibilities in business increases and there is corresponding rise in the development possibilities too. Thus, as there is a greater tendency towards service sector from agricultural and industrial sector, the business opportunities keep increasing. But any society can develop only when all the sectors can bring about growth jointly. e.g. To bring prosperity in agriculture, there is an increase in demand for fertilizers, good seeds, mechanization and to make it reach, the services of service sector is needed.

Thus agriculture, industry and service sector are dependent on one another and the development of one sector is responsible for the development of the other sector. So sectoral changes bring about a favourable environment for industrial business.

(d) National Income and Per capita Income : A rise in national income creates a favourable situation for a business unit. The national income rises and if the population does not rise proportionately, the rate of rise in per capita income will be more than the rate of rise in national income. When national income and per capita income rise, there will be a rise in demand for goods

and services and other basic necessities which will be favourable for business. When income rises, the demand for superior quality goods i.e. luxurious goods and branded clothes also rises.

(e) Distribution of National Income : The distribution of national income explains the economic differences between different sections of the society. Higher the inequalities of income, more will be the demand for luxurious and prestigious goods and services. Changes in the distribution of national income impact has on the demand for goods and services.

(f) Monetary Policy : Monetary policy includes changes in interest rates, inflation rate, credit creation, credit availability etc. For instance, if the interest rate on housing loan is reduced, there will be a rise in the demand for houses and also for all industries which are related to housing like cement, steel, furniture, sand, raw dust, bricks, etc.

(g) Fiscal Policy : Fiscal policy depends on the tax structure and governmental expenditure. Following are the main objectives of fiscal policy :

(i) Maximum utilization of resources and factors (ii) Distribution of resources in the best possible manner to achieve fast economic development (iii) Bring about equal distribution of resources in the best possible way. (iv) Stabilise prices of goods and services.

There are two important aspects seen in the fiscal policy :

(i) How can the tax structure be made effective for individual, units and the entire industry.
(ii) How much is the effect of public expenditure on economic activities.

(h) Other Factors : Other factors like raw materials, its supply, components of machinery, financial facilities, manpower and its productivity etc. have positive and negative effects on economic factors.

(2) Social Factors : All the business activities originates, grows and ends in the society. Business activity cannot be separated from the society. Society represents groups of people, social institutions, social traditions etc. Society is dynamic and hence the life style, practices cannot remain the same. They keep changing and bring changes in business factors also.

The beliefs of the people, the ideologies of life of people cannot remain same and so people give importance to their decisions and rituals to achieve their development. Which economic activity should be done? How to do it ? To what extent it should be done ? All these decisions are affected by religion, caste, sect, social norms etc.

Such trends are prevalent in countries, where social institutions are dominant. In certain types of business caste and religious groups are involved. Overall it can be seen that those classes of societies which are aloof from social constraints, experience a much faster rate of development. Such societies are open to new ideas and business activities get a greater incentive there.

(3) Cultural Factors : Cultural factors of a society affect business activities. Factors like, traditions, practices, life style, habits etc. are included which affect the decision making of a business unit.

Business management ignores the cultural factors most of the times and this may lead to possibility of risk of failure. Even the strong management has failed due to the neglecting cultural factors. On the other side, various products which are not economically acceptable have become acceptable because of cultural factors and they have become successful.

Cultural factors are constantly changing and these changes are constant and periodical.

(4) Technological Factors : Technological factors include, decision regarding what type of technology should be used. They also include issues like that type of technology should be used to produce goods and services, so that there can be maximum ease for the people in its use. Due to an improvement in Research and Development (R&D) and import of technology from abroad, there is a fast change in the technology. At one stage, India believed that use of machines should be kept at its lowest to enable employment generation. But due to liberalization of industrial policy, it has been accepted that mechanization should be maximized. In many industries, the use of Robot has been increased which has resulted in quantitative and qualitative rise. To enable people to derive maximum advantage, almost all banks have adopted E-banking and M-banking, which have been made simple and easy to understand. Internet connected computers can be helpful in E-banking operations and internet connected smart phones can be helpful in M-banking operations.

(5) Political Factors : Factors related to government and financial ideologies of the ruling party are known as political factors. Political party framing the government, publicity by the stakeholders, political party's influence on the framing and implementation of laws, etc. are the political factors. e. g. In West Bengal, there was a large opposition for "Nano" Car project of Tata group which forced Tata group to leave West Bengal and at the same time, Gujarat Government provided various incentives to the same project to be set up near Sanand which was accepted by Tata, showing that Gujarat Government offers favourable environment for industries, due to which the industrial growth of Gujarat increased.

(6) Legal Factors : Legal factors are those which are the Acts approved by the Parliament and/or the Assembly. Every business unit will have to mandatorily follow the Acts approved by these two.

Any business activity is practically meant for the development of the entire society. Business activities are designed with the objective of attaining speedy economic development and increasing the welfare activities. There is a direct relationship between development of business and welfare of society. Hence, the government is aware that business development should be fast and its benefits of maximum distribution should not have adverse impact on the society. To streamline business activities, various laws are passed like Industrial Development and Regulation Act 1951, Essential Commodities Act 1955, Trade Mark Act 1969, Standard of Weights and Measures Act 1969, Consumer Protection Act 1986, etc.

Based on the requirement of changing times, certain laws are amended and some laws are removed. Monopolies and Restrictive Trade Practices Act 1951 has been amended, which has led to more number of Indian companies showing their presence in the world consequent upon changing laws.

12.3 Liberalization, Privatization and Globalization

After independence, mixed economic system was accepted but as changes were made to suit to varying situations, as required results were not seen, after July 1991, Indian Economy started the process of Liberalization, Globalization and Privatization.

12.3.1 Liberalization :

Meaning : The period in between 1947 to 1991 was of the environment of control for trade and industry in India. Liberalization in simple terms is a movement of business and trade from a controlled to an open and free system. Till July, 1991 various types of controls and barriers were imposed. But as a part of new liberalized set up, the Indian Government started reducing the intensity of controls in a phased manner. In certain sectors, controls have been removed completely or to a maximum extent.

Effects of Liberalization :

(1) Earlier there was a barrier to foreign direct investment in Indian industries but now such restriction has been removed. Its maximum limit which was very low, gradually, it has been increased. To attract foreign investors and businessmen, various economic and non-economic incentives and exemptions are being given.

(2) To attract more foreign investments in the field of share market, the procedure of purchase and sale of shares have been made completely transparent by taking various steps. To change the nature of shares from physical to electronic (Dematerialisation - DMAT) has been introduced. The purchase and sale of shares and the transactions of money involved therein, has been made more transparent and the procedures are based on international indicators.

(3) Steps are being taken by the government to make tax structure more simple and transparent. Sales Tax, Excise Duty, is being simplified and procedure to introduce GST (Goods and Service Tax) has already started which is a very important step in simplification of tax structure. Controls on tax system has been minimized.

(4) The symbol of Indian currency '₹' has been introduced. Indian currency (INR) is given relief under certain terms and conditions in forex market.

(5) Licence Raj has almost been removed from India. Before liberalization, most industries were dependent on licence and now as part liberalization, the quantum of licence is almost nil.

(6) Collected efforts are being made to increase the exports of India. Various incentives are being given to Indian industries to promote exports. Import duties are also being reduced.

(7) As foreign exchange situation is improving, Foreign Exchange Management Act (FEMA) is prevalent and the old - Foreign Exchange Regulation Act (FERA) has been cancelled. The type of change in the Act helps to understand that there are no barriers for the entry of foreign exchange but the flow of foreign exchange is to be managed, so that it is made available for the development of business.

(8) Various changes have been made in Monopolies and Restrictive Trade Practices Act (MRTP Act) and number of relaxations have been made in the Act. Still certain unwanted controls of business practices are continued with restrictions.

(9) At present, Reserve Bank of India has given freedom to various banks to decide the deposit and lending rate of interest, subject to certain conditions. This practice was not there earlier.

(10) Imports of goods and services have become easier. Payment of foreign exchange has become simple in recent years, subject to certain terms and conditions. Availability of foreign exchange for the purpose of foreign tours, sending children for foreign education or for the purchase of property in the foreign country, is made very easy.

From the above mentioned points, it is proved that the Indian economy is moving fast, towards liberalization from a controlled economic system.

12.3.2 Privatization :

Meaning : Privatization refers to transfer of control and management of public sector enterprise to private sector or in other words, the process of passing on the ownership and management of public sector unit to private firms.

Concept : After Independence, it was expected that public sector will play a major role in fulfilling various objectives of the economy. To provide infrastructural facility and develop key industries, public sector should play a major role. Immediately after independence, the private sector was not ready to invest in such fields where expected returns was lower. The government started providing infrastructural facilities by encouraging public sector development and thus began production of goods and services through public sector enterprises. In various five year plans, public sector was given utmost importance.

Post 1991, as a part of economic policy, privatization was also accepted and that resulted in a change in the role of public sector. Continuous loss making units have been structurally changed and few others were closed. Many public sectors offered equity shares to the general public and increased public private partnership. When shares are sold to private enterprise, it was known as privatization. When public sector units offer its capital for the participation of general public, it is known as disinvestment. Government of India has started separate ministry for disinvestment.

Government started giving greater importance to education and other infrastructural facilities. Another important reason for the privatization is the increasing inefficiency and non-achievement of target. Inefficiency in public sector is due to a number reasons. Following are a few : (1) Bureaucracy (2) Obsolete technology (3) Rising corruption and bribery (4) Absence of accountability (5) Growing influence of labour unions (6) Political interference, etc.

Favourable Effects of Privatization : (1) Rise in productive efficiency (2) Absence of political interference (3) Qualitative goods and services (4) Systematic marketing (5) Use of modern technology (6) Hierarchical set up for accountability (7) Creation of competitive environment (8) Advantage of research and development (9) Advantage of modernization and innovation (10) Maximum utilization of factors of production (11) Availability of infrastructural facilities.

Negative Effects of Privatization : (1) Exploitation of employees (2) Misuse of powers by top management (3) Unequal distribution of income and wealth (4) Absence of job security (5) Priority to profit (6) Consumer exploitation etc.

In spite of various negative effects of privatization, government has been giving more importance to privatization. Government has given number of public sector units to private sector. Still government holds 51 % or more of equity capital but it has sold shares to private sector or general public which continues even now. Thus the period in between 1951 to 1991 was dominated by public sector but after 1991 its importance started diminishing and private sector's domination started increasing due to privatization.

12.3.3 Globalization :

Meaning : When any country permits foreign companies to do business in their domestic economy and allows domestic companies to do business globally, it is known as globalization.

Concept : Earlier every country used to protect its industries from foreign competition and globalization was not acceptable. In the beginning, the companies of developed countries used to set up industries or start selling their goods and services in developing and undeveloped countries for which developing and underdeveloped countries give permission. Subsequently, developing and undeveloped countries also allow their companies to do business in other countries. Actually, globalization is a two way activity. When multi national companies get permission to start industries

in other countries, in the same way domestic companies can also do so in developed countries. In this way internationalization of industries can be seen.

To develop business and industry of the entire world, an arrangement was needed at the international level which resulted in the formation of World Trade Organisation (WTO). This organization takes effort to develop business and trade all over the world. It enables its member countries to eliminate the barriers that arise in the path of globalization. India is a member of WTO since its inception and hence the process of globalization has become slightly easier.

As a part of the policy of globalization, India has accepted the GATT (General Agreement on Trade and Tariff) and it has accepted foreign products and services to enter the country subject to certain conditions. Globalization has enabled a fast growth of service sector. The borders of countries started extending for banking, insurance, transportation, communication and these services can be extended to other countries. The world has shrunk to a global village. The international consumer market has developed and now India has also started playing a major role.

Positive Effects of Globalization : (1) Large scale production (2) Increased competition leads to greater consumer protection (3) Consumers get improvised, technically upgraded product at an economical price (4) Opportunities of employment generation (5) Consumers will be able to use quality products and service at a low price (6) Speedier generation of infrastructural facilities in the country (7) Increased importance of education has led to increase in spread of education (8) Easier to set up new industries (9) The whole world is becoming a global village (10) Freedom from political bureaucracy and red tapism.

Negative Effects of Globalization : (1) Arrangement for market set up becomes difficult and costly. (2) Rise in the production of luxurious goods and services at the cost of necessities (3) New problems arise because of the change in human mentality (4) Rise in inequalities of income and wealth distribution. (5) Spread of economic situation of one country or continent to other countries quickly (6) Competition is at the cost of ethical values (7) Larger units get more profit and small scale units experience difficulty to survive (8) When the spread of education is relatively lesser than the spread of development, the competitive ability of employees become weak (9) Multinational companies show more loyalty to their home country rather than to the host country (10) Internationally renowned companies influence the monetary policy of the country which is suitable to them by collaborating with the political parties.

What did you learn in this chapter ?

Meaning : Business environment includes economic, social, cultural, technological, political, legal factors. Apart from these, various groups like consumers, labourer, competitors, suppliers of raw materials etc. are also included in this business environment.

Importance : (1) Advantage of early entry (2) Sensitivity of management (3) Grab opportunities (4) Identifying dangers (5) Helpful in policy decisions (6) Continuous study

Factors affecting business environment : (1) Internal factors (2) External factors

(1) Internal factors : (1) Business objectives (2) Employees (3) Managerial system, etc.

(2) External factors : (1) Economic Factors : (a) Economic System (b) Degree of Economic Development (c) Regional Development and International Integration (d) National Income and Per Capita Income (e) Distribution of National Income (f) Monetary Policy (g) Fiscal Policy (h) Other Factors

(2) Social Factors (3) Cultural Factors (4) Technological Factors (5) Political Factors
(6) Legal Factors

Liberalization : An effort to quit the path of control and try to achieve progress through the path of liberation is known as liberalization.

Effects of liberalization : (1) Acceptance of foreign capital investment in Indian industry and business (2) Transparency in the purchase and sale and delivery, payment system in the share market (3) Simple tax structure (4) New sign of Indian currency '₹' and subject to certain conditions, Indian rupee is free against the foreign currency (5) Elimination of licence raj (6) Integrated effort to increase exports (7) Widespread changes in the laws relating to foreign exchange (8) Changes in the Monopolies and Restrictive Trade Practices Act (9) Conditional freedom to banks for fixing rate of interest (10) Ease to import goods and services

Privatization : Transferring of ownership and management from the control of public sector to private companies or private industrial units is known as privatization.

Positive Effects of Privatization : (1) Rise in productive efficiency (2) Absence of political interference (3) Quality goods and services (4) Systematic marketing (5) Use of modern technology (6) Hierarchical set up for accountability (7) Creation of competitive environment (8) Advantage of research and development (9) Advantage of modernization and innovation (10) Maximum utilization of factors of production (11) Availability of infrastructural facilities.

Negative Effects of Privatization : (1) Exploitation of employees (2) Misuse of power by top management (3) Unequal distribution of income and wealth (4) Absence of job security (5) Priority to profit (6) Consumer exploitation, etc.

Globalization : When any country allows foreign companies to do business in their domestic economy and domestic companies allow to do business globally, it is known as globalization.

Positive Effects of Globalization : (1) Large scale production (2) Increased competition leads to greater consumer protection (3) Consumers get improved, technically upgraded product at an economical price (4) Opportunities of employment generation (5) Consumers will be able to use quality products and service at a low price (6) Speedier generation of infrastructural facilities in the country (7) Increased importance of education has led to increase in spread of education (8) Easier to set up new industries (9) The whole world is becoming a global village (10) Freedom from political bureaucracy and red tapism

Negative Effects of Globalization : (1) Arrangement for market set up becomes difficult and costly (2) Rise in the production of luxurious goods and services at the cost of necessities (3) New problems arise because of the change in human mentality (4) Rise in inequalities of income and wealth distribution (5) Spread of economic situation of one country or continent to other countries quickly (6) Competition is at the cost of destruction of ethical values (7) Larger units get more profit and small scale units experience difficulty to survive (8) When the spread of education is relatively lesser than the spread of development, the competitive ability of employees become weak (9) Multinational companies show more loyalty to their home country rather than to the host country (10) Internationally renowned companies influence the monetary policy of the country which is suitable to them by collaborating with the political parties.

Exercise

1. Select the correct alternative and write answer to the following questions :

- (1) In which year the Industrial Development and Regulation Act came into force ?
(A) 1951 (B) 1955 (C) 1969 (D) 1986
- (2) In which year did Essential Commodities Act came into existence ?
(A) 1951 (B) 1955 (C) 1969 (D) 1986

- (3) In which year did Trade Mark Act came into existence ?
 (A) 1951 (B) 1955 (C) 1969 (D) 1986
- (4) In which year Standardized Weights and Measures Act came into existence ?
 (A) 1951 (B) 1955 (C) 1969 (D) 1986
- (5) In which year did Consumer Protection Act came into force ?
 (A) 1951 (B) 1955 (C) 1969 (D) 1986
- (6) In which year did liberalization privatization and globalization started in India ?
 (A) 1951 (B) 1991 (C) 2001 (D) 2011
- (7) How is India's currency symbolised ?
 (A) Rupees (B) Rs. (C) ₹ (D) Я
- (8) At present, which act is prevalent for foreign exchange in India ?
 (A) FERA (B) FECA (C) FESA (D) FEMA
- (9) Which of the following is not the benefit of privatization ?
 (A) Increase in Productivity (B) Absence of Political Interference
 (C) Exploitation of Employees (D) Use of Modern Technology
- (10) Which of the following option is benefit of privatization ?
 (A) Misuse of power by the top bureaucrats
 (B) Unequal distribution of income and wealth.
 (C) Exploitation of consumers
 (D) Production of quality goods and services

2. Answer the following questions in one sentence each :

- (1) Give only names of factors related to business environment.
- (2) Give name of groups related to business environment.
- (3) Which are the two main classification of factors of business environment ?
- (4) Give only names of internal factors affecting business environment.
- (5) When can there be an increase in per capita income ?
- (6) Which aspects are included in monetary policy ?
- (7) Which aspects are included in fiscal policy ?
- (8) Which aspects are included in cultural factors ?
- (9) What initiative have the banks taken to simplify banking operations and understand the procedure ?
- (10) What is essential to get benefits of "E-banking" and 'M-banking' ?

3. Answer the following questions in short :

- (1) Give the meaning of business environment and list out the factors affecting business environment.
- (2) Why is continuous study of business environment required ?
- (3) Give the meaning of economic factors affecting business environment and state the aspects included in it.
- (4) State the social factors affecting business environment.
- (5) Which political factors are affecting business environment ?
- (6) Give the meaning of liberalization.
- (7) What is privatization ?
- (8) Why is globalization important ?

4. Answer the following questions in brief :

- (1) Explain the meaning and importance of business environment.
- (2) Give the meaning of economic factors affecting business environment and explain them in detail.
- (3) Write notes on social and cultural factors affecting business environment.
- (4) What is liberalization ? What steps are taken by the Indian government as a part of liberalization ?
- (5) What is privatization ? Write a note on the advantages and disadvantages of privatization.

5. Answer the following questions in detail :

- (1) Give the meaning of business environment and state the importance of the study of business environment.
- (2) “Business environment creates opportunities as well as obstacles” - Explain.
- (3) State the technological factors, political factors and legal factors affecting business environment.
- (4) What is privatization? State the factors which led to privatization and explain the favourable effects of privatization on the Indian economy.
- (5) Give the meaning of globalization and explain it in detail.
- (6) Give your views on the positive and negative effects of globalization on the Indian economy.

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PROJECT WORK

1. Meet social or any other type of leader - Prepare a report on the good qualities of a leader.
2. Prepare an organisational report and chart of any organisation. Prepare a note on the functions of each Position / Designation.
3. Visit any organisation. Prepare a report on recruitment and selection of any one candidate working within that organisation.
4. Visit any organisation. Prepare a report and chart regarding employees working at different levels of management and state the differences in their functions.
5. Visit any organisation. Prepare a report on various financial and non financial incentives given by the organisation, to motivate their employees.
6. Select any event in your school like Independence Day (15th August) Celebration, School's sports day, schools opening day, Teacher's day Celebration day etc. Prepare a report on any one event.
7. Prepare a report on the steps to be taken for improvement of attendance of irregular students. (Prepare any one project report from 1 to 7)
8. Find five complaints of consumer exploitation and also give a report on their remedial action.
9. Collect and report - Any two objectionable advertisement with reasons of its objection.
10. Collect five printed advertisement and clarify the messages given through each advertisement.
11. Prepare a note on distribution channel used by any company for its any one product.
12. Contact any NGO who has registered a complaint against any defective product or inefficient service and report on the steps taken by them.
13. Visit any redressal agency. Prepare a report on five different cases of consumer exploitation.
14. Visit any company and prepare a report on factors affecting business environment. (Prepare any one project report for 8 to 14)

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ABBREVIATIONS

1. NATURE AND SIGNIFICANCE OF MANAGEMENT

I.I.M. : Indian Institute of Management
B.B.A. : Bachelor of Business Administration
M.B.A. : Master of Business Administration
C.E.O. : Chief Executive Officer
H.R.M. : Human Resource Management

2. PRINCIPLES OF MANAGEMENT

MBO : Management by Objectives

5. STAFFING

HRM : Human Resource Management
IIM : Indian Institute of Management
IIT : Indian Institute of Technology

8. FINANCIAL MANAGEMENT

RBI : Reserve Bank of India

9. FINANCIAL MARKET

BSE : Bombay Stock Exchange
NSE : National Stock Exchange
OTCEI : Over The Counter Exchange of India
Demat : Dematerialisation
NSDL : National Securities and Depository Limited
CDSL : Central Depository and Securities Limited
SEBI : Securities and Exchange Board of India
NEAT : National Exchange for Automated Trading
BOLT : BSE On Line Trading

10. MARKETING MANAGEMENT

BIS : Bureau of Indian Standards

11. CONSUMER PROTECTION

PIL : Public Interest Litigation
NGOs : Non Government Organisations
CERC : Consumer Education and Research Centre
CPC : Consumer Protection Council
VOICE : Voluntary Organisation in Interest of Consumer Education
CGSI : Consumer Guidance Society of India
CUTS : Consumer Unity and Trust Society
CCC : Consumer Co-ordination Council
NCH : National Consumer Help Line
UNO : United Nations Organisation

12. BUSINESS ENVIRONMENT

FDI : Foreign Direct Investment
MNC : Multinational Corporation
FEMA : Foreign Exchange Management Act
FERA : Foreign Exchange Regulation Act
WTO : World Trade Organization
GATT : General Agreement on Trade and Tariff
FM : Frequency Modulation
RJ : Radio Jockey
MJ : Music Jockey
E-banking : Electronic banking
M-banking : Mobile banking
DMAT : Dematerialisation
R&D : Research and Development
MRTP Act : Monopolies and Restrictive Trade Practices Act

