

Department of Commerce (CA)

I N. Com. (CA)

Semester I

BUSINESS ENVIRONMENT 18 MCC 13C

Reference Book

BUSINESS ENVIRONMENT

Dr. N. PREMAVATHY

UNIT 3

Industrial policy - Revolution - Industries
development and Regulation Act, 1951, - Monetary
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causes and control.

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UNIT 3

Industrial policy or industrial strategy of a country is its official strategic effort to encourage the development and growth of industries

Objectives (or) Need (or) Importance

- ① Rapid Industrial development
- ② Balanced industrial structure
- ③ Prevention of Concentration of economic power
- ④ Balanced regional growth
- ⑤ Co-ordination of investments
- ⑥ Improving the efficiency of human capital
- ⑦ Supporting domestic firms in negotiation with foreign firms
- ⑧ Avoiding competing investments
- ⑨ Maximising industrial capacity
- ⑩ Facilitating structural changes

⑪ Creating Job

⑫ Using natural resources in an optimum manner

⑬ Improving manufacturing

⑭ Motivating modernisation

⑮ Encouraging cordial industrial relation

⑯ Proper utilisation of foreign assistance

Industrial policies in India

① Industrial Policy 1948

② Industrial Policy Resolution 1958

③ Indian Policy Statement 1973

④ Indian Policy Statement 1977

⑤ New Industrial Policy 1991

Objectives of New Industrial Policy 1991

L - Liberalisation - Reduction of Government control

P - Privatisation - increasing the role of private sector

G - Globalisation - integration of the Indian economy with the world economy

Resolution

A motion when successfully passed with or without amendment by the required majority of votes is resolution

Types of Resolution

Ordinary resolution:

If a motion is supported by simple majority (more than 50%), it is called ordinary resolution

Special resolution

If a motion is supported by $\frac{3}{4}$ th of majority (more than 75%), it is called special resolution.

Industries Development Regulation Act, 1951

It came into force from 8.5.1952 by the publication of Central Government in Gazette.

Objectives

- ① To implement industrial policy
- ② To develop, regulate and supporting the growth of industries
- ③ To plan and develop new industries

Scope

It applies to the whole of India including Jammu and Kashmir

It is applicable to Government, Private and co-operative sectors.

Exemption from the act.

Sec 29 of the act exempts the industries listed in Schedule I of the Act if required

Special features of the Act

I Preventive provisions

- 1) Registration and licencing
- 2) Investigation
- 3) Revocation of registration of licence

II Curative provisions

III Creative provisions

I ① Registration and Licensing

- Ⓐ licensing of new undertakings
- Ⓑ production of new articles
- Ⓒ substantial expansion
- Ⓓ licensing for shifting location
- Ⓔ license to carry on business

② Investigation

- Ⓐ if substantial fall in production
- Ⓑ if deterioration in quality
- Ⓒ if unjustifiable increase in price
- Ⓓ if national importance resources are used
- Ⓔ if the management is detrimental to the scheduled industry

③ Revocation of registration of licence

- Ⓐ if registration was obtained by misrepresentation
- Ⓑ if undertaking fails to register
- Ⓒ if registration has become useless or ineffective

II CURATIVE PROVISIONS

- ① Power to take over management or control
- ② Power to take over without investigation
- ③ Power to take over management at the time of liquidation
- ④ Power to control supply and price on certain articles.

III CREATIVE PROVISIONS

under this a development council was created.

Functions of council.

- ① Command targets on production
- ② arrangements for better marketing
- ③ promoting standardisation of products
- ④ Suggesting norms for efficiency.
- ⑤ recommending methods for the full utilisation of installed capacity
- ⑥ Assisting the distribution of controlled materials.
- ⑦ Promoting the training of employees

- ⑧ Promoting Scientific Research
- ⑨ Promoting the Collection of Statistics
- ⑩ Implementing improved accounting and Costing methods
- ⑪ Advising on any matter relating to industry

Penalty

① If industries contravene the provisions of the Act and for making false statements penalty is imprisonment upto 6 months or fine upto Rs. 5000 or both

② In case of continuing contravening the additional fine which may extend to Rs. 500 for every day during which the contravention continues

③ Penalty for false statement is imprisonment upto 3 months or a fine which may extend to Rs. 2000 or both

Conclusion

Eventhough the policy has effective objectives it fails due to the following reasons:

- ① Existing distortion
- ② Political Capture
- ③ Heterogeneity among firms

Fiscal policy

It is the means by which a Government adjusts its spending levels and tax rates to monitor and influence nation's economy. It is the sister strategy to monetary policy through which central bank influences a nation's money supply.

Objectives

- ① Economic growth
- ② Price stability.
- ③ Full employment

Importance in India

- ① In elevating the rate of capital formation both in private and public sectors
- ② Through taxation it helps to mobilise resources
- ③ Gives adequate incentives to private sectors
- ④ Aims to minimise the imbalance in the dispersal of income and wealth

Tools

① Government Spending

② Taxes ③ Transfer payments

Each tool has two opposite ways

Ⓐ Expansionary

Ⓑ contractionary

MONETARY POLICY

It involves management of money supply and interest rates and is the demand side economic policy used by the Government to achieve macro economic objectives like consumption, inflation growth and liquidity

objectives

① Management of Inflation

② Management of unemployment

③ Management of currency exchange rates

Tools

① Interest rate adjustment

② change reserve requirement

③ open market operations

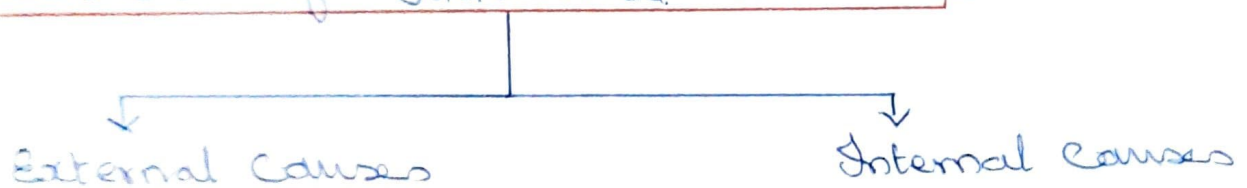
Depending on its objectives it can be expansionary and contractionary.

INDUSTRIAL SICKNESS

Meaning

The sick industrial Companies Amendment which became effective from February, 1994 defines 'a sick industrial company' as an industrial company which has at the end of any financial year accumulated losses equal to or exceeding its entire net worth.

Causes of Industrial Sickness



External Causes

- ① High cost of manufacture with low sales revenue
- ② Non-availability of raw materials
- ③ Lack of regular supply of inputs
- ④ Recession
- ⑤ High excise and import duties

Internal causes

- ① Improper demand estimation
- ② Improper choice of technology
- ③ defective capital structure
- ④ Growing shortage of working capital (29)
- ⑤ Managerial ineffectiveness

Prevention and remedies

- ① Identifying the sickness at initial stage
- ② Improving infrastructure
- ③ Technology upgradation
- ④ Liquidation
- ⑤ Financial assistance
- ⑥ Training
- ⑦ Rehabilitation

Government policies towards Small Scale industries

1. Industrial Policy Resolution, 1948
2. Industrial Policy Resolution 1956
3. Industrial Policy Resolution 1977
4. Industrial Policy Resolution 1980
5. Industrial Policy Resolution 1990

Measures taken by Government

1. Equitable allocation of raw materials
2. Improvement in the methods of production
3. Provision for adequate finance
4. Marketing assistance
5. Provision for industrial education and training
6. Delineating large and small scale sectors

Industrial Pollution

Meaning It can be directly linked with industry. It can also impact air quality can enter into soil causing widespread environmental problems

Causes

- ① Lack of policies to control pollution
- ② unplanned industrial growth
- ③ use of outdated technologies
- ④ Presence of large number of small scale industries
- ⑤ Inefficient waste disposal
- ⑥ Launching our resources from our natural world
- ⑦ Natural resources use

Effects of ^{industrial} pollution on our environment

- ① water pollution
- ② soil pollution
- ③ Air pollution
- ④ wildlife extinction
- ⑤ Global warming
- ⑥ Bio-diversity loss
- ⑦ Atmospheric deposition

Control of pollution

Ways:

- ① Source control
- ② Recycling
- ③ cleaning of resources
- ④ Industry site selection
- ⑤ Proper treatment of industrial waste
- ⑥ Rebuilding habitats and afforestation
- ⑦ Stricter laws and enforcement
- ⑧ Regular environmental impact assessments

