



Advertising in Contemporary Society

Atish Singh



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Advertising in Contemporary Society

(As per the Revised Syllabus of T.Y. BMM w.e.f. 2016, Semester V,
University of Mumbai)

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Preface

It gives me immense pleasure to present this first revised edition of **Advertising in Contemporary Society** to the teachers and students of BMM Fifth Semester. The objective of this subject as per University of Mumbai guidelines is to understand the environment in contemporary society – to understand liberalisation and its impact on the economy – to study contemporary advertising and society.

The revised BMM syllabus came in to effect from June 2016. The syllabus is divided into seven modules. The topics are discussed in a detailed and simple manner. Possible questions are given at the end of each paper. I hope this edition will be useful to the teachers and students.

I wish to thank our Principal, Colleagues, Librarian, Lab Assistant and my wife Pooja Singh for their support and encouragement. Special thanks to *Vaneeta Raney* BMM Course Coordinator, SIES College of Arts, Science and Commerce for reviewing this book and valuable solution for book content. All ideas and positive criticisms are most welcome and will be appreciatively accepted.

I am also grateful to Himalaya Publishing House Pvt. Ltd. for giving me an opportunity to write a book.

Author

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Chapter 1

Change in Environment

POLICY POST-INDEPENDENCE

Introduction

The Indian financial system at the time of Independence showed all the signs of stagnation. About 47% of the population was under the poverty line in 1951. These numbers go up in 1964-65, came down and again go up in 1977-78. At the time of independence 72% of the work strength was employed in agriculture and it contributed to nearly 50% of the national income. Industrialization was at an extremely low level with only 2% of the work force employed in industries. In adding up to this there was hardly any investment in industries. The only industries which existed were cotton and jute industries. They also suffered a major slow down, as at the time of partition major jute producing areas goes to Pakistan and as a result there was a shortage of raw material. Thus, at the time of Independence, low agriculture output, little industrialization, low figure of national income, high poverty and unemployment, slow economic progress were the features of India's economy.

The government in our first Prime Minister Pandit Jawaharlal Nehru was focused on development of home-grown industries which had been completely destroyed under the British Rule. The stress was on state control in finance, a strong public sector and import exchange. Pandit Nehru was intent by the Soviet Union's Piatiletska or Five-year plan and tried implementing the same for the Indian economy. He wanted India to have the best grouping of socialism and capitalism and tried to put into practice Democratic Socialism in India. Annual expansion rate of the Indian economy averaged around 3.5% from 1950-1980.

With Rajiv Gandhi coming to power many changes underway taking place. There was stress on De-licensing. Under P.V. Narsimhan Rao's Regime economic liberalization policies came into force in 1991. Now the focal point was on Privatization and Globalization. Most industries didn't require government consent and were thrown open to the private sector. Since 1991 the Indian economy has been growing continuously except during a few phases.



India's Post-independence Economic Strategy

The vision of the Indian economic regime erected in the 1950's emerged from the freedom struggle. The economy had been subjugated by metropolitan capital and metropolitan commodities in the pre-independence period. Freedom meant freedom from this domination; and this could not be ensured without giving the State in Independent India a major role in building up infrastructure, increasing and support the industrious base of the economy, setting up new financial institutions and regulating and co-coordinating economic activity.

In terms of the policy elaborated at that time, the State would not simply ensure a sharp increase in the rate of savings in the system, but also an improved allocation of that savings to the heavy industrial sector in general and machine tools in particular, so as to diminish the economy's dependence on International capital and commodity markets. This was essential for building capitalism itself, while some no doubt entertained the fond hope that all this would add up to a transition to socialism. State capitalism and State intervention in other words were crucial instruments for the development of a comparatively autonomous Indian capitalism, displacing metropolitan capital from the pre-eminent location it had occupied in the colonial economy.

The expression of the State at present, inclined no doubt by pressures from the International Financial Institutions, and is that the only direction to growth and development in the current world order is dependence. Any attempt to reserve domestic economic space for domestic welfare, to directly influence the pace and pattern of domestic development or to improve the in equalizing tendencies characteristic of backward capitalism, only forecloses growth opportunities and spells stagnation. Tethering oneself to the powers that control the international economic command and allowing the "animal spirits" of the private financier free play are the main mechanisms to stimulate growth.

The Planning Process of India and Five-Year Plans (From 1951-52 to 1955-56 to 1985-90)

On 15th August 1947 when India became Independent politically, the country stands at the doorstep of a new era.

The country at this phase was under-developed and its people were on the edge of poverty. Its vast possessions, agriculture and raw materials were unexploited due to lack of proper direction. Planning presented the only way to attain a rapid and balanced growth observance the national

priorities in mind. The state was now accepted to play an active part in economic and social development. The achievement of such planned development in both agrarian and industrial sector in the USSR also played a part in popularizing the concept of planned development.

After the implementation of a new Constitution, the Government of India set up the Planning Commission in March 1950 to measure the country's material, capital and human resources and to prepare a plan for the most efficient and balanced operation. The first Prime Minister, Pt. Jawaharlal Nehru was also its first Chairman. The Finance Minister and the Minister for planning were its crucial members between other ministers in different capacities linked to economic development.

Some of the objectives outlined in these plans were maximization of national income, rapid industrialization, providing full employment and most essentially achieving self-sufficiency. The central purpose recognized with the process of development was to lift the standard of living and opening out more opportunities to people.

Planning in India required proper channelling of resources into different developmental activities in accordance with accepted national priorities. While short-term developmental objectives have diverse from plan to plan, the planning process was in some ways stimulated by certain long-term goals. These are:

- High Growth Rate
- Achieving social justice
- Economic self-reliance

However, a major policy transform occurred in this regard from 1991 when the Government at the Center liberalized the economy and go all the way to attract foreign investments in order to modernize the economy faster.

The strategy for development included a complete planning for all round progress; a mixed economy approach to keep up the socialistic pattern of development; achieve a fair development that would enlarge both agriculture and industry; offer maximum employment; cater to the development of backward areas; to strengthen the backward classes and attain overall social welfare.

First Five-Year Plan (1951-52 to 1955-56)

The first five-year plan had a two-fold objective:

1. To correct the disequilibrium in the economy caused by the Second World War and the partition of the country.
2. To start at the same time a process of all round development which would make certain a rise in national income and a stable improvement in the living standards of the people.

The plan accorded the highest precedence to agriculture, including irrigation and power projects. The plan also aimed at escalating the rate of investment from 5% to 7% of the national income. The growth rate achieved in this plan was 3.6%.

Second Five-Year Plan (1956-57 to 1960-61)

In December 1954, the Parliament stated the objectives of the Second Plan to achieve the Socialistic Pattern of Society. The basic aim under this was to achieve greater equality of income and wealth and not private profit. It promoted a model of development that would lead to the establishment of a socialistic society in India. The profits of the plan were focussed towards the betterment of the less privileged than the progressive sections. The main objectives of the second plan were:

1. An enlarge of 25% in the national income.
2. Speedy industrialization with particular stress on the development of basic and heavy industries.
3. Large growth of employment opportunities.
4. Lessening of the inequalities in income and wealth and a more even allocation of economic power.

The Plan expected at growing the rate of investment from 7% to 11% of the national income by 1960-61. This plan improved the scope of industrialization by escalating the production of iron and steel, heavy chemicals, expansion of heavy engineering and machine building industries.

Third Five-Year Plan (1961-62 to 1965-66)

The Third Five Year Plan aimed at securing a marked move ahead towards self-sustaining growth. Its objectives were:

1. To boost in the national income of over 5% per annum and at the same time certify a pattern of investment that would maintain this rate of growth during subsequent plan periods.
2. To attain self-sufficiency in food grains and increase agricultural production to meet the requests of the industry and exports.
3. To increase the basic industries like steel, chemicals, fuel and power and to set up machine building ability so that obligation of further industrialization could be met within a period of ten years and that too from the country's own resources.
4. To employ fully the manpower resources of the country and make sure a considerable expansion in employment opportunities.
5. To bring down disparities of income and wealth and get a more reasonable distribution of economic power.

Annual Plans (1967, 1968, 1969)

The circumstances created by the Indo-Pak conflict, two succeeding years of severe drought, 1965-66 and 1966-67, depreciation of the currency in 1966, universal rise in prices and attrition of resources existing for plan purpose delayed the finalization of the Fourth Five Year plan.

As an alternative, three annual plans were formulated within the framework of the draft delineate of the Fourth Plan. The main aim of this plan was to restore normalcy in the economy. The importance of these plans was to adopt irrigation projects along with the use of high yielding mixture crops in the agricultural sector. In the industrial sector, the tension was on the use of the existing capacity and on Consumer Goods Industry.

Fourth Five-Year Plan (1969-70 to 1973-74)

The Fourth plan expected at raising the standard of living of the people through programmes that would promote social justice and equality at the same time. The attention of the plan was the welfare of the weaker sections of the society especially through employment and education. The rate of growth in national income was 3.3% per annum and the per capita income was 1.2% per annum. The presentation of industry as well as agriculture was not satisfactory.

Fifth Five-Year Plan (1974-79)

The following objectives were stated under the Fifth Five-Year Plan:

1. Elimination of poverty.
2. Attainment of economic self-reliance.

Sixth Five-Year Plan (1980-85)

This plan accelerated the work for the elimination of poverty, generation of gainful employment and technological and economic self-reliance. The plan targeted a growth rate of 5.2% and achieved it. It was successful in achieving the required industrial development and agricultural growth. It also achieved aims of social justice.

The plan undertakes the development of under developed areas of the country. It also concentrated on the refinement of technology. It was the first standpoint plan of the country slated for a long term of fifteen years. It also saw a rapid enlargement in the service sector. About 94% of the cost of investments was met from the domestic resources projecting the self-reliance of the country.

Seventh Five-Year Plan (1985-90)

The Sixth Five-Year Plan provided the environment for the next plan. The guiding principles of the plan sustained to be growth, equity and social justice, self-reliance, improved efficiency and productivity. The policies to go faster growth in food grains production, increase employment opportunities and lift productivity were pursued in this plan.

The rate of growth of 5.6% was kept for this plan. The strategy in the seventh plan to generate productive employment was to increase cropping intensities and extension of agriculture through use of new technologies. Emphasis was also given on various rural schemes for development.

POLICY 1990 ONWARDS

Eighth Five-Year Plan (1992-97)

The Eighth plan had the following objectives:

1. Generating sufficient employment to attain near full employment level by the turn of the century.
2. Containing population enlargement through active system of incentives.
3. Abolition of illiteracy in the age group of 15 to 35 years.
4. Provision for health and availability of safe drinking water particularly in villages.
5. Self-reliance in food and production of agricultural surplus.
6. Reinforcement of the infrastructure in order to support development process on a constant basis.

Ninth Five-Year Plan (1997-2002)

The Ninth Plan projected to achieve a 7% growth rate during the plan period. It introduced financial discipline and designed to control rise in prices through controlling money supply. It expected at resource mobilization and attracts Foreign Direct Investment (FDI). The driving force of the plan was to attain agricultural growth. The intention was to widen the direct tax base for raising resources at the centre. Some of the objectives outlined in this plan were:

1. The main concern to agriculture and rural development and create productive employment and abolition of poverty.
2. Accelerating the growth rate of the economy and keeping the prices stable.
3. Containing the growth rate of population.
4. Promoting and developing people's participatory institutions like the Panchayati Raj and Co-operatives.
5. Strengthening efforts of building self-sufficiency.

Tenth Plan (2002 to 2007)

Its objectives incorporated to achieve the growth rate of 8%, decrease of poverty ratio to 20% by 2007 and 210% by 2012, general access to primary education by 2007, and increase in literacy rate to 72% within the plan phase and to 80% by 2012.

Eleventh Plan (2007 to 2012)

1. Increasing the growth rate of GDP from 8% to 10% and then continue at 10% in the 12th Plan in order to twice over per capita income by 2016-17.
2. Enlarge agricultural GDP growth rate of 4% per year to make sure a broader spread of benefits.
3. Condense dropout rates of children from elementary school from 52.2% in 2003-04 to 20% by 2011-12.
4. Raising the literacy rate for people of faith seven years or more to 85%.

5. Diminish infant mortality rate (MR) to 28 and maternal mortality ratio (MMR) to 1 part 1000 live births.
6. Increase the sex ratio for age group 0-6 to 935 by 2011-12 and to 950 by 2016-17.
7. Make certain electricity connection to all village and BPL households by 2009 and the round-the-clock control by the end of the plan.
8. Enlarge forest and free cover by the five percentage points.

INDIAN POLICY ACT OF POST-INDEPENDENCE AND AFTER 1990 ONWARDS

Introduction

There is no disbelief that the functioning of the laws is essential for every society. But it is more essential that the laws must be complete in such a special manner that they will be able to facilitate the mainstream of the people. When you ensure the Indian law, you will come to know that two provisions are present here which are really confusing known as the FERA and FEMA. That's why a conversation will be presented in the later lines to intricate their meaning and differences.

FERA

The Foreign Exchange Regulation Act (FERA) was legislation passed in 1973 that forced strict policy on definite kinds of payments, the transactions in foreign exchange and securities and the dealings which had an indirect blow on the foreign exchange and the import and export of currency. FERA was introduced at a time when foreign exchange (Forex) reserves of the country were low.

FEMA

The Foreign Exchange Management Act, 1999 (FEMA) is an Act of the Parliament of India "to consolidate and amend the law relating to foreign exchange with the objective of facilitating outside trade and payments and for promoting the orderly development and maintenance of foreign exchange market in India". It cemented the way for the opening of the Prevention of Money Laundering Act, 2002, which came into effect from 1 July 2005.

The significant features of Foreign Exchange Management Act are as follows:

1. It is constant with full current account convertibility and contains requirements for progressive liberalisation of capital account transactions.
2. It is clearer in its application as it lays down the areas requiring precise permissions of the Reserve Bank/Government of India on acquisition/holding of foreign exchange.
3. It divided the foreign exchange transactions in two categories, viz., capital account and current account transactions.
4. It provides power to the Reserve Bank for specifying, in discussion with the central government, the classes of capital account transactions and limits to which exchange is acceptable for such transactions.

5. It gives full liberty to a person resident in India, who was earlier resident outside India, to hold/own/transfer any foreign security/immovable property situated outside India and acquired when s/he was resident.
6. This Act is a civil law and the contraventions of the Act grant for arrest only in special cases.
7. FEMA does not be relevant to Indian citizens resident outside India.

Difference between FERA and FEMA

1. The aim of FERA was to protect and stop abuse of foreign exchange, while FEMA is to help external trade and expenses.
2. FERA was a very harsh police law, while FEMA is a civil law.
3. Under FERA, citizenship was an important factor to end the inhabited status of a person. Though in FEMA, reside in India more than 182 days is the standard to make a conclusion about inhabited situation of a person.
4. As there was a compulsion in FERA to get sanction of RBI with regard to transfer of funds recounting external operations. While in FEMA, there is no compulsion in search of sanction from RBI related to payment with regard to external trades separately from Section 3 related with foreign exchange.
5. In FERA, restrictions on withdrawals of foreign exchange were for the grounds describing to with current account. On the other hand, in FEMA, Section 5 eliminates all the restrictions on withdrawals of foreign exchange for the principle fear with current account transactions.
6. The FERA was first announced in the year of 1973. The FEMA, on the other hand, was first confirmed in the year of 1999.

MRTP ACT

The time when India attaining freedom in 1947, for the better part of half a century afterwards, adopted and followed policies comprising what are known as Command-and-Control laws, rules, policy and administrative orders. The competition law of India, namely, the Monopolies and Restrictive Trade Practices Act, 1969 (MRTP Act, for brief) was one such. It was in 1991 that extensive economic reforms were undertaken and subsequently the march from Command-and-Control economy to an economy based more on free market principles commenced its step. As is true of many countries, economic liberalization has taken origin in India and the need for an effective competition command has also been recognized.

Post-independence, numerous new and big firms have entered the Indian market. They had little competition and they were trying to control the market. The Government of India understood the intentions of such firms. In order to defend the rights of consumers, Government of India accepted the MRTP Bill. The Bill was accepted and the Monopolies and Restrictive Trade Practices Act, 1969 came into reality. Throughout this law, the MRTP task has the power to stop all businesses that make obstacle for the scope of competition in Indian economy.

The MRTP Act, 1969 aims at preventing economic power attentiveness in order to let alone damage. The Act also provides for trial of monopolistic, unfair and restrictive trade practices. The law control the monopolies and protects consumer attention.

The major objectives of this Act are as follows:

1. The avoidance and awareness of economic power to the common damage.
2. The control of monopolies
3. The prevention of monopolistic trade practices
4. The prohibition of restricted trade practices.

Monopolistic Trade Practice

Such exercise indicates exploitation of one's power to neglect the market in terms of production and sales of goods and services. Firms are mixed up in monopolistic trade practice and it tries to abolish competition from the market. Then they take benefit of their monopoly and charge unreasonably high prices. They also weaken the product quality, limit technical development, prevent competition and adopt unfair trade practices.

Unfair Trade Practice

The following may effect in an unfair trade practice:

1. The false depiction and misleading advertisement of goods and services.
2. Falsely demonstrating second-hand goods as new.
3. Ambiguous representation about usefulness, need, quality, standard, style, etc. of goods and services.
4. False claims or depiction regarding price of goods and services.
5. Giving false truth about sponsorship, affiliation, etc. of goods and services.
6. Giving false guarantee or warranty on goods and services without sufficient tests.

Restrictive Trade Practice

The traders, in order to capitalize on their profits and to increase power in the market, often indulge in activities that tend to block the flow of capital into production. Such traders also bring in circumstances of delivery to affect the flow of supplies leading to unjustified costs.

The MRTP Act, 1969

The MRTP Act extends to the entire of India apart from the state of Jammu and Kashmir. This law was enacted:

1. To ensure that the operation of the economic system does not result in the concentration of economic power in hands of few.
2. To provide for the control of monopolies.
3. To prohibit monopolistic and restrictive trade practices.

Unless the Central Government otherwise directs, this Act shall not apply to:

1. Any enterprise owned or controlled by the Government Company.
2. Any enterprise owned or controlled by the Government.
3. Any enterprise owned or controlled by a corporation (not being a company) established by or under any Central, Provincial or State Act.
4. Any trade union or other group of workmen or employees formed for their own rational protection as such workmen or employees.
5. Any enterprise engaged in an industry, the management of which has been taken over by any person or body of persons under powers by the Central Government.
6. Any enterprise owned by a co-operative society formed and registered under any Central, Provincial or State Act.
7. Any financial organization.

MRTP Commission and Filing of Complaint

For the intention of this Act, the Central Government has recognized a commission to be known as the Monopolies and Restrictive Trade Practices Commission. This commission shall consist of a Chairman and minimum 2 and maximum 8 other members, all to be chosen by the Central Government. Every member shall hold the office for a period precise by the Central Government. This period shall not go beyond 5 years. However, the member will be qualified for re-appointment.

In case of any unfair trade practice, monopolistic trade practice and/or restrictive trade practice, a grievance can be filed against such practices to the MRTP Commission. The process for filing a complaint is as follows:

1. Grievance is filed either by the individual consumer or through a registered consumer organization.
2. The Director General of the MRTP Commission would bring on the investigation for finding facts of the case.
3. If the *prima facie* case is not made, the grievance is dismissed. If the grievance is true, an order is passed to its effect.
4. The Commission restricts and restrains the concerned party from carrying on such practices by granting temporary injunction.
5. Then the ultimate order is passed. The complainant may be compensated for his loss.

Competition Act, 2002

In the background of the new economic policy concept, India has selected to pass a new competition law called the Competition Act, 2002. The MRTP Act has metamorphosed into the new law, Competition Act, 2002. The new law is intended to cancel the extant MRTP Act. As of now, only a few provisions of the new law have been brought into force and the process of constituting the regulatory authority, namely, the Competition Commission of India under the new Act, is on.

The residual provisions of the new law will be brought into force in a phased method. For the present, the sociable law, MRTP Act, 1969 and the new law, Competition Act, 2002 are simultaneously in force, though as mentioned above, only some provisions of the new law have been brought into force.

Regulation of Restrictive Trade Practice

The Act also prohibits provisional trade practices of companies which are enclosed by it if these are found to be detrimental to the public interest on an inquiry by the MRTP Commission or otherwise "restrictive trade practice" means a trade practice which has, or may have, the effect of preventing, distorting or restricting competition in any manner and in particular:

- Which tends to hamper the flow of capital or resources into the flow of production?
- Which tends to bring about direction of prices, or conditions of delivery or to effect the flow of supplies in the market relating to goods or services in such manner as to enforce on the consumer's unfair costs or restrictions.

The important feature of such a practice is that it is intended to hinder competition. Limiting output and manipulating prices or supplies are characteristics of such a practice. It may either actually have the effect of unfavourably effecting competition or it may have such a potentiality. In moreover case, it is characterized as an uncertain trade practice.

Post-Independence Media Emergence and its Role in Society

The economic policy of the 1990s swept away the harsh licensing controls on industry and foreign trade, sanctioned the market to decide the trade rate, significantly reduced defensive customs tariffs, opened up to foreign investment, modernised the stock markets, freed interest rates, strengthen the banking system and transferred the public sector into private sector.

Airline, telecom and TV broadcast were opened for private players. The consequences have been extensive:

1. The opening up of foreign trade and investment support exports, services and private compensation is very much. Flourishing external commerce and rising foreign investment dethroned the baleful deity of "foreign exchange scarcity", which had justified four decades of dreadful economic policy and draconian, corruption-spawning controls.
2. The blend of industrial decontrol, superior foreign competition and a modernized capital market boosted the rise of strong Indian firms, built by unshackled entrepreneurs able to compete worldwide. Today's domestic brands like Infosys, Jet, Airtel and Videocon scarcely existed a decade before. The recognized companies like Tata, Reliance and Birla Group reinvented themselves to assemble competition. This led to larger advertising budgets, which continued the media explosion (print and TV) of the past decade that has helped to shape a new state of mind.
3. The post-crisis reforms of the early 1990s repaired the growth drive of the 1980s and assured a quarter century of nearly 6 per cent economic growth.
4. The 1990s' economic liberalisation emancipated India's foreign and defence policies from economic limitation and reliance on foreign aid.

QUESTIONS

1. Describe in detail Policy of Indian Government 1990 onwards.
2. Discuss the Post-independence media emergence and its role in society.
3. What are FERA and FEMA? Discuss difference between FERA and FEMA.

Write Short Notes on

1. India's Post-Independence Economic Strategy.
2. Economic self-reliance.
3. Competition Act, 2002



Chapter 2

Study of Environment Post-Independence and Post 1991 Liberalization Policy

EFFECTS OF LIBERALIZATION ON

Introduction

Prior to independence, India was not industrially developed country. It was an Agrarian country where handicrafts achieved self-sufficiency supreme in the world. There are very few types of economic movement which became traditional in nature and could be incorporated under the products shaped under the factory system of 19th and 20th century. Strategies are adapted to attain an end. Indian industrial policies developed to attain speedy economic growth through fast industrialization and making economy self-sufficient as an end.

Industrial segment of the nation was in stagnations at the time of independence as it was not positive but ignored during the two centuries under British government. Their selfish policies framed to serve the interests of their homeland were the major cause of need of industrialization in India. India was the vendor of raw material and purchaser of the British goods. The aspiration of Indians to industrialize can be tentative from the stance of the creation of Bombay Plan which was early effort by well-known industrialists of the country to form the industrial policy of the country from side to side importance on intense businesses.



At first India followed a system of government with the influence of socialist economy under Jawaharlal Nehru as the Prime Minister. So, there were many limitations for foreigners to work together with India.

The foreign investment was totally limited. This limitation was influenced in the colonial experience. The various resolutions were accepted in Parliament from time to time, landmark change happened in 1991 when India was required to open up its economy to Global competition and Government had to liberalize sectors to leave space for private industry. Anyhow after 16 years of rule of Jawaharlal Nehru, there arise many leaders and Prime Ministers. By 1990s the Indian economy was forced to open its economy and followed liberalization model. There are some radical shifts in Industrial policy of India.

COMPONENTS OR ELEMENTS OF NEW ECONOMIC POLICY

There are three major components of new economic policy- Liberalization, Privatization, Globalization.

Liberalization

Liberalization refers to ending of license, share and many more restrictions and controls which were put on industries before 1991. Indian companies got liberalization in the following way:

1. Ending of license except in few.
2. No limitation on growth or narrowing of business activities.
3. Freedom in fixing prices.
4. Liberalization in import and export.
5. Easy and simplifying the process to attract foreign capital in India.
6. Freedom in movement of goods and services.
7. Freedom in fixing the prices of goods and services.

Privatization

Privatization refers to giving greater role to private segment and sinking the role of public sector. To carry out policy of privatization government took the following steps:

1. Disinvestment of public sector, i.e., shift of public sector enterprise to private sector
2. Setting up of Board of Industrial and Financial Reconstruction (BIFR). This board was set up to revitalize sick units in public sector enterprises suffering loss.
3. Strength of Stake of the Government. If in the process of disinvestments private sector acquires more than 51% shares then it results in transfer of possession and management to the private sector.

Globalization

It refers to amalgamation of various economies of world. Till 1991 Indian government was following severe policy in regard to import and foreign investment in regard to licensing of imports,

tariff, restrictions, etc. but after new policy government adopted policy of globalization by taking following measures:

Import Liberalization. Government removed many restrictions from import of capital goods:

1. Foreign Exchange Regulation Act (FERA) was replaced by Foreign Exchange Management Act (FEMA)
2. Validation of Tariff structure
3. Elimination of Export duty.
4. Reduction of Import duty.

As a result of globalization physical boundaries and political boundaries remained no barriers for business venture. Whole world becomes a global village. Globalization involves greater interaction and interdependence among the various nations of global economy.

The economic transformation in India of 1991 was happened as an emergency action. It completely changed the Indian economic structure. The main feature of this improvement is nothing, but it leads the Indian economy to be a market oriented one. Along with public the private industrialists are also began to enjoy more independence. Compared to China, India is producing output less than the Chinese. This may be because China adopted the economic reform in 1978; But India adopted the same only in 1991.

EFFECTS OF LIBERALIZATION ON ECONOMY

Introduction

There have been revolutionary changes in Indian Economy since the support of new economic policy in 1991. This had enormous impacts on all areas of life in India. When a nation becomes liberalized, the economic effect can be strong for the country and for investors. Liberalization is definite as laws or rules being liberalized, or relaxed, by a government. Economic liberalization is usually described as the relaxing of government policy in a country to permit for private sector companies to function business transactions with fewer limitations. With position to developing countries, this term denotes to opening of their economic borders to multinationals and foreign investment. Many economists says that economic liberalization is “opening up” to the rest of the world with regards to trade, regulations, taxation and other areas that generally affect business in the country.

Effects of Liberalization on the Economy

Foremost goals of economic liberalization are the liberated flow of capital between countries and the effectual allotment of resources and competitive advantages. This is usually done by declining protectionist strategies such as tariffs, trade laws and other trade barriers. One of the main things of this improved flow of capital into the country is that it makes it economical for companies to access capital from investors. A minor cost of capital enables companies to undertake profitable projects that they may not have been able to with a higher cost of capital pre-liberalization, leading to higher growth rates.

Stock Market Performance

Normally, when a country relaxes laws, taxes, the stock market values also rise. Stock Markets are platforms on which Corporate Securities can be traded in real time. It offers mechanisms for nonstop price discovery, choices for investors to exit from or enter into investment any time. These are tough base of free markets these days and there is vigorous trade going all over the world on stock exchanges. Their significance can be accessed from the fact that, behavior of stock markets of a country is strongest pointer of growth and future forecast of an economy.

These markets have thrown open variety of linked services such as Investment Banking, Asset Management, Underwriting services, Hedging advice etc. These jointly utilize lakhs of people all over India. Similarly there are commodities market which provides avenues for investment and sale of various entitled commodities. Fund managers and investors are always on the watch out for new forecast for profit, and so a whole country that becomes available to be invested in will tend to cause a course of capital to flow in.

Political Risks Reduced

Liberalization policies in country reduce the political risks to investors. The government can draw more foreign investment through liberalization in economic policies. These are areas that hold and promote a willingness to do business in the country such as a strong legal foundation to resolve disputes, fair and enforceable contract laws, property laws, and others that allow businesses and investors to operate with confidence. Also, government organization is a common target area to be smooth and improved in the liberalization process. All these modifications can reduce the political risks for depositors.

Diversification for Investors

In liberalized economy, investors get advantage by being able to spend a portion of their portfolio into a diversify asset class. Commonly, the relationship between developed countries such as the United States and under developed or growing countries is reasonably low.

Although the universal risk of the developing country by itself may be higher than average, adding a low relationship asset to your portfolio can decrease your portfolio overall risk profile. However, an inconsistency should be made that though the relationship may be low, when a country becomes liberalized, the association may actually rise over time. This happens because the country becomes more integrated with other parts of the world and has become more responsive to events that happen outside the country. A high level of amalgamation can also lead to increased contagion risk which is the risk that crunches that occurs in different countries cause crises in the domestic country.

Advent of Technology

With the arrival of Information Technology in contemporary period, globalization progression increased and it made possible transfer of real time human labour across nations, without transfer humans themselves. Additionally, it separates all boundaries which obstruct free flow of information. It has much profit to investors such as sharing, and development of knowledge in societies which previous had access only to unsatisfactory or non-updated information. As always wrap up is coupled with some harsh realities too.

Industrial Growth Rate

Liberalization is very important for the growth of Indian economy. Excepting few years, industrial growth rate has not been so much moving. Share of Industry still remains stagnantly low at 25%. It is gloomy that India has transitioned to be a service led economy, directly from an agrarian one. The one return of this is end of policy of imports substitution which imitative industrial growth up to 1990. Foreign companies got free right of entry to Indian markets and made domestic products uncompetitive. They observably had better access to technology and superior economies of scale.

Effect on Small Scale in India

Impact of small scale is evaluated from the beginning of colonization in 18th century. Colonization can be measured as first movement of globalization. In pre-colonization period, India's textiles and handicraft was popular across the globe and was support of Indian economy. With the beginning of industrial revolution along with foreign rule in India, Indian economy undergo major impediment and much of its home-grown small scale cottage Industry was out of business. After independence, Indian government made many efforts to recover small scale sector by reserving items completely for it to manufacture. With liberalization, list of retained items was considerably partial and many new sectors were thrown open to big companies.

Small Scale Industry Exists and still Remains Strength of Indian Economy

It contributes to most important segment of exports and private sector employment. Results are mixed, many former Small scale industries got bigger and better. But overall value addition, product improvement and technology adoption remains sad and they exist only on back of government support. Their products are challenged by cheaper imports from China.

Impact on Agriculture

In the area of agriculture cropping patterns has undergone a giant alteration, but impact of liberalization cannot be properly considered. It is observed that there are still all persistent government controls and interventions opening from production to distribution.

Impact on Services Sector

In service sector, globalization has transformed the picture of developing countries and depression for developed ones. Due to significant economic difference between two groups, human resources have been much cheaper in developing economies. This was more aided by information technology revolution and this all culminated in relocation of several jobs from developed countries to developing countries.

Information Technology Industry

Currently, Software, BPO industry are prospering in India and it has helped India to attract a big mass of demographic payment, which otherwise could have wasted. Best part is that export of services result in export of high value. There is approximately no material exported which consume some natural resource. Only thing exported is labour of Professionals, which does not reduce, instead grows

with time. Now India is better placed to become actually Knowledge Economy. Exports of these services make huge revenue for India's foreign Exchange.

Banking

In Banking sector, liberal policies have big impact in Indian economy. Since improvements, there have been three rounds of License Grants for private banks. Private Banks such as ICICI, HDFC, Yes Bank and also foreign banks, raised standards of Indian Banking Industry. Now there is harsh opposition in the banking industry, and public sector banks are more reactive to customers. It is well unspoken that information technology is bringing banking revolution.

New government schemes like Pradhan Mantri Jan dhan Yojana aims to attain their targets by using Adhaar Card. Public Sector Banks still remain major lender in the country. Likewise, Insurance Industry provides collection of products such as Unit Linked Insurance plans, Travel Insurance etc. But, in India life Insurance business is still positively in hands of Life Insurance Corporation of India.

Telecom Sector

Usually, Telecom segment was a government owned command and therefore service was not very well-organized. But after reforming polices, private telecom segment reached zenith of success. Indian telecom companies are rolling at global scale. However, corruption and rent seeking spoiled growth and outlook of this segment. Entry of modern Direct to Home services saw enhancements in quality of Television services on one hand and loss of occupation for numerous local cable operators.

EFFECTS OF LIBERALIZATION ON BUSINESS

Introduction

An economic reform affects the business and industry in a straight line. Business plans are in a straight line influenced by economic factors, such as, interest rates, money supply, price level, consumer's credit etc. Economic circumstances leading to inflation or deflation affect the business activities. Inflation leads to rise in common price-level, whereas deflation leads to fall in price level.

The condition of industrial trade and business booms and slumps comprise the economics of market environment. Recently Government initiated various economic policies. As such the impact of these reforms changes on business in the following manner.

1. Buyer's market: In the liberalized policy administration shortages of goods are no more, but there are surplus of goods. This arises due to opposition, reduction in cost, up-gradation of technology, improvement in quality and customer convenience. Elimination of government limitations on capability creation and capacity consumption has also helped increase in the supply of goods. Industry has been set total freedom to develop and expand. Price control has been separate. Investment now takes place in the areas of demand. All these changes have been made the buyer, the sovereign of the market.

2. Export is essential for survival: The functioning of new trade policy has related imports to exports. The enterprises should earn foreign exchange by exports and use the same foreign exchange for importing raw material spares and equipment's. For example: Reliance Group, Essar World Trade, Ceat, Videocon, MRF etc, are being benefited by the new policy.