



FACULTY OF JURIDICAL SCIENCES

COURSE: B.B.A.LL.B. IX th

Semester

SUBJECT: COMPETITION LAW

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LECTURE 13

TOPIC: DEFINITION OF COMPETITION AND COMPETITION LAW

Meaning and Concept of Competition Law

In a very general understanding, the concept of competition involves the striving of two or more persons endeavoring to obtain the same end. Competition in a relevant market means the process of competing for price, quality and resources, resulting to a market, more oriented towards consumer rights, ensuring fair trade and efficient resource allocation, development of small businesses, incentives for innovation and dispersion of economic power. It is precisely for the benefits emanating out of the competition in the markets which ultimately ensures economic development and benefit to the consumer.

Competition is the process in a market economy which encourages the companies to offer their goods and services at the most favorable terms to the consumers. It is often said, however, that “*competition sows the seeds of its own destruction*”; encourages to compete, successful entrepreneurs may achieve positions where they will be able to prevent others from competing and thereby damages the process as a whole.

It encourages efficiency and innovation and reduces prices. Competition forces business entities to become market efficient and to offer a greater choice of products and services at the most reasonable price to the customers. In a competitive market economy, price (and profit) signals tend to be free of distortions and create incentives for the firms to redeploy resources from lower to higher valued uses. Decentralized decision making by firms promotes efficient allocation of society’s scarce resources, increases consumer welfare, and gives rise to dynamic efficiency in the form of innovation, technological advancement and progress in the economy as a whole. In

order to be effective, competition requires companies to act independently of each other, but subject to the competitive pressure exerted by the others.

According to New World Encyclopedia:

Anti-trust laws, or competition laws, are laws which prohibit anti-competitive behavior and unfair business practices. The laws make illegal certain practices deemed to hurt businesses or consumers or both, or generally to violate standards of ethical behavior.

The Oxford English Dictionary defines 'competition' in the following way:

- a. The action of endeavoring to gain what another endeavors to gain at the same time; the striving of two or more for the same object;
- b. Rivalry in the market, striving for custom between those who have the same commodities to dispose of. . .

Competition is a process of economic rivalry between market players to attract customers. Competition refers to that situation in the market where business entities independently strive for the customers' patronage in order to achieve their business objective. Free and fair competition is one of the pillars of an efficient business environment.

As far as academic definitions of the concept are concerned, they do not seem to be identical. Some scholars have defined competition in terms of a struggle or contention for superiority, and in the commercial world in terms of striving for the custom and business of persons in the marketplace. Other scholars have viewed competition in terms of a relationship that exists among any number of firms engaged in selling goods or services of the same type at the same time to an identifiable group of persons.

From the above definitions, it can be gleaned that the term competition refers to:

1. The existence of both a process and a relationship;
2. In a commercial sense, a close association with the concept of market- place;
3. Having some aim or purpose.

Exercise:

1. It is well said that competition _____ the internal market
 - a) Boosts
 - b) Retards
 - c) Shatters
 - d) Regulates

2. Activity as defined in definition clause of competition Act includes profession or _____
 - a) Vocation
 - b) service
 - c) occupation
 - d) None of the above

3. Section 3(1) of Competition Act, 2002 prohibits agreement which causes or likely to cause considerable adverse effect on _____ with India
 - a) Competition
 - b) Trade
 - c) Business
 - d) Profession

4. Dominant position means a position of strength enjoyed by an enterprise in _____ in India
 - a) Open market
 - b) Free market
 - c) Relevant market
 - d) Controlled market

5. Subsection _____ of Section 3 further declares that if any agreement entered into, which is contrary to Section 3(1) of Competition Act, shall be declared void

- a) 2
- b) 3
- c) 4
- d) 5