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# **CONSUMER PROTECTION AND** **CONSUMERISM IN INDIA**

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## **ABSTRACT**

The process of development coupled with increasing liberalisation and globalisation across the country has enabled consumers to realise their increasingly important role in society and governance. However, concentration of the market power in the hands of a select few has affected consumers' behaviour over time. In a developing country like India where the incidence of poverty and unemployment is very high and the level of literacy is very low, the people face a volume of problems, particularly in the context of consumer related issues. Unlike in the developed world, consumers in these countries have not been able to play a greater role in the development process. In this paper an analysis has been to explore the consumer protection and consumerism in India.

## **INTRODUCTION**

Consumer rights are an integral part of our lives like the consumerist way of life. We have all made use of them at some point in our daily lives. Market resources and influences are growing by the day and so is the awareness of one's consumer rights. These rights are well defined and there are agencies like the Government, consumer courts and voluntary organizations that work towards safeguarding. While we like to know about our rights and make full use of them, consumer responsibility is an area which is still not demarcated and it is hard to spell out that all the responsibility is that a consumer is supposed to shoulder. Consumer rights are the rights given to a "consumer" to protect him/her from being cheated by salesman/manufacturer/shopkeeper. Consumer protection laws are designed to ensure fair trade competition and the free flow of truthful information in the marketplace. The laws are designed to prevent businesses that engage in fraud or specified unfair practices from gaining an advantage over competitors and may provide additional protection for the weak and those unable to take care of themselves. Consumer Protection laws are a form of government regulation which aim to

protect the rights of consumers.<sup>1</sup>

The purpose of economic planning is to allocate resources, as far as possible, for the maximum satisfaction of consumers' needs. Any goods or services produced in an economy are ultimately meant for consumers. There is a logical, moral and political force in the proposition that the consumers themselves should have the right to take decisions

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<sup>1</sup> <https://consumeraffairs.nic.in/organisation-and-units/division/consumer-protection-unit/consumer-rights>

about the allocation of resources for their own needs. Realizing this need, the International Organization of Consumer Unions, now known as Consumers International, took the initiative and under its consistent lobbying, the United Nations adopted a set of Guidelines for Consumer Protection on April 9, 1985 which were revised in 1999. The Guidelines address the interests and needs of consumers worldwide and provide a framework for Governments, particularly those of developing and newly independent countries, to use for elaborating and strengthening consumer protection policies and legislation.

### **HISTORICAL BACKGROUND**

In the early years when welfare legislatures like the consumer protection Act did not exist, the maxim Caveat emptor (let the buyer beware) governed the market deals. We find the seeds of consumer protection during the Mughal times and especially during the time of Khiljis. It is said that Sultan Ala-ud-Din Khilji (1296 A.D. to 1316 A.D.) had introduced strict price control measures based on production costs. He had also established separate shopping centers in Delhi for (1) grain, (2) cloth, sugar, dried fruits, herbs, butter, and oil,

(3) horses, slaves, and cattle, and (4) miscellaneous commodities. The supply of grain was ensured by collecting tax in kind in the production areas and keeping it in the royal storehouses. Hoardings of grain were forbidden. Elsewhere the growers were ordered to sell their grains for cash in their fields at fixed prices and were not allowed to take any grain home for private sale. The market controller, the state intelligence officer, and the Sultan's secret agents, each submitted independent reports on these shopping centers to the Sultan. Even a minor violation of the rules was not tolerated.<sup>2</sup>

The shopping center for cloth, known as the sara-i-adl, was established near one of the royal palaces on the inner side of the Bada-un-Gate. All goods, including foreign imports, were first taken there and their price fixed. Every merchant was registered with the commerce ministry and had to sign a bond guaranteeing a regular supply to the goods in which they traded. The Hindu Multani merchants were advanced money by the treasury to import rare commodities for the sara-i-adl, some price were subsidized. Costly fabrics and luxury goods could be sold only to those who have obtained permits from the Government. The prices of cattle were also fixed and unscrupulous merchants were deprived of their trading rights.

<sup>2</sup> [http://www.jtexconsumerlaw.com/v11n3/jccl\\_india.pdf](http://www.jtexconsumerlaw.com/v11n3/jccl_india.pdf)

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The shopping center for general commodities was under the direct control of the commerce ministry. Ala-ud-Din's Minister of commerce was also the Superintendent of weights and Measure and the Controller of the Commercial transactions. He was assisted by superintendent for each commodity. Prices and weight and measure were checked by sending the children employed in the royal pigeon-house to buy petty articles. The prices fixed for the Delhi market were also applied in the provincial capitals and towns.

During the British regime (1765-1947), also known as the 'Colonial Era', Government's economic policies in India were concerned more with protecting and promoting the British interests than with advancing the welfare of the native population. The administration's primary per-occupation was with maintaining law and order, tax collection and defence. Accordingly much of the legalisation enacted during the British regime was primarily aimed at serving the colonial rulers instead of the natives. There were, however, some pieces of legislation which protected the overall public interest through not necessarily the consumer interest. Prominent among these were: the Indian Penal code, 1860, the Sale of Goods act, 1930, the dangerous drugs act, 1930 and the drugs and cosmetics act, 1940. In a sense, the Sale of Goods act, and the principles of the law of torts were more for the protection of the trader than the consumer.<sup>3</sup>

**THE POST INDEPENDENCE SCENARIO** – The struggle for India's independence was over by 15<sup>th</sup> August, 1947. However, the attainment of independence was not an end in itself. Due to the increased emphasis on industrialization during the second five year plan, there was tremendous growth and establishment of heavy industries. As a result there was a considerable amount of migration of rural population to the urban areas in search of employment, as India is characterized by a vast amount of disguised unemployment in the agricultural sector. Growing urbanization due to heavy industrialization resulted in proliferation of human needs-of basic necessities and also of luxuries. Due to the shortage of certain necessities and even their non-availability at reasonable rates with growing menace of adulteration, it was found necessary to empower the Government to control their production, quality, supply, and distribution. Therefore the decade of 1950s, right from the very beginning, saw the enactment of a number of laws to safeguard the interests of the consumers from various angles.<sup>4</sup> The enactment of the Banking Companies Act, 1949 (later

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<sup>3</sup> <https://www.meritnation.com/cbse-class-12-commerce/economics/indian-economic-development-ncert-solutions/unit-i-indian-economy-on-the-eve-of-independence/ncert->

<sup>4</sup> <https://ncert.nic.in/textbook/pdf/hess210.pdf>

called The Banking Regulation Act) to amend and consolidate the Law related to banking matters as well as the Industries(Development and Regulation)Act,1951 to implement the Industrial Policy Resolution of 1948 were among the earliest stapes taken by the National Government in India in the direction of consumer protection.

With the continuous industrialization and urbanization, environmental problems also came more to the forefront, but seldom got any worth while attention of Indian planners and policy makers till the fateful incident of Bhopal in 1984. Thus the Bhopal catastrophe, perhaps for the first time, focused considerable attention on the industrialization hazards, environmental pollution, Government responsibility and business accountability. The Union Carbide tragedyalso highlighted the potential risks to the lives of the citizens or consumers from the operations transnational corporations in foreign lands.

Now with the opening up of the Global Market and economics and progressive removal of international trade barriers, two phenomenon's have been witnessed with.

First, there is influx of foreign brands and franchises. Second, within India, there is increasing competition among manufacturers which has benefited consumers in the form of improvement in quality of goods and resources. Thus in turn has witnessed more and more legislations aimed at regulating the manufacturing and trading activities and providing protection to consumers at large. Now the maxim caveat emptor has beenreplaced by, "let the seller beware". As a result of this change in scenario business has nowcome to besubstantially regulated by Government and Authorities in favor of consumers.<sup>5</sup>

## **MEANING AND REASONS FOR CONSUMER PROTECTION**

Consumer protection means safeguarding the rights and interests of consumers. It includes all the measures aimed at protecting the rights and interests of consumers. Consumers need protection due to the following reasons<sup>6</sup>:

1. **Illiteracy and Ignorance:** Consumers in India are mostly illiterate and ignorant. They do not understand their rights. A system is required to protect them from unscrupulous businessmen.

<sup>5</sup> <https://www.imf.org/en/News/Articles/2015/09/28/04/53/sp082500>

<sup>6</sup> [https://ncdr.nic.in/bare\\_acts/1\\_1\\_2.html](https://ncdr.nic.in/bare_acts/1_1_2.html)

2. **Unorganized Consumers:** In India consumers are widely dispersed and are not united. They are at the mercy of businessmen. On the other hand, producers and traders are organized and powerful.
3. **Spurious Goods:** There is increasing supply of duplicate products. It is very difficult for an ordinary consumer to distinguish between a genuine product and its imitation. It is necessary to protect consumers from such exploitation by ensuring compliance with prescribed norms of quality and safety.
4. **Deceptive Advertising:** Some businessmen give misleading information about quality, safety and utility of products. Consumers are misled by false advertisement and do not know the real quality of advertised goods. A mechanism is needed to prevent misleading advertisements.
5. **Malpractices of Businessmen:** Fraudulent, unethical and monopolistic trade practices on the part of businessmen lead to exploitation of consumers. Consumers often get defective, inferior and substandard goods and poor service. Certain measures are required to protect the consumers against such malpractices.
6. **Freedom of Enterprise:** Businessmen must ensure satisfaction of consumers. In the long run, survival and growth of business is not possible without the support and goodwill of consumers. If business does not protect consumers' interests, Government intervention and regulatory measures will grow to curb unfair trade practices.
7. **Legitimacy for Existence:** Business exists to satisfy the needs and desires of consumers. Goods are produced with the purpose of selling them. Goods will, in the long run, sell only when they meet the needs of consumers.
8. **Trusteeship:** Businessmen are trustees of the society's wealth. Therefore, they should use this wealth for the benefit of people.

### **The Guidelines developing policies for consumer protection<sup>7</sup>**

Physical safety;

Promotion and protection of consumers' economic interests;

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<sup>7</sup> <https://unctad.org/topic/competition-and-consumer-protection/un-guidelines-for-consumer-protection>

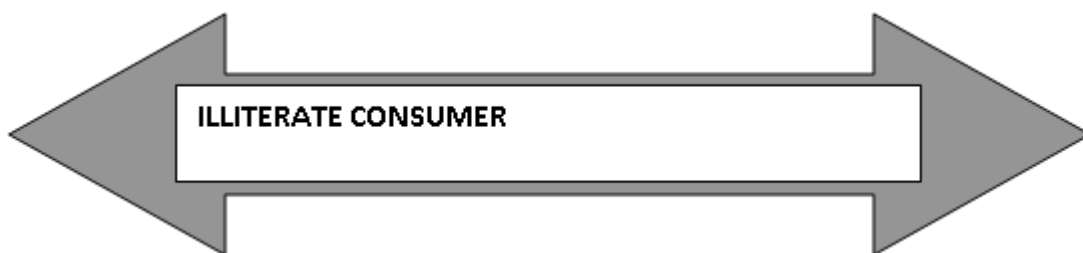
Standards for safety and quality of consumer goods and services; Distribution facilities for essential consumer goods and services; Measures enabling consumers to obtain redress; Education and information programmes

- Promotion of sustainable consumption
- Measures relating to specific areas like water, food and pharmaceuticals.

These areas have been translated into the following eight consumer rights by the Consumers' International<sup>8</sup>:

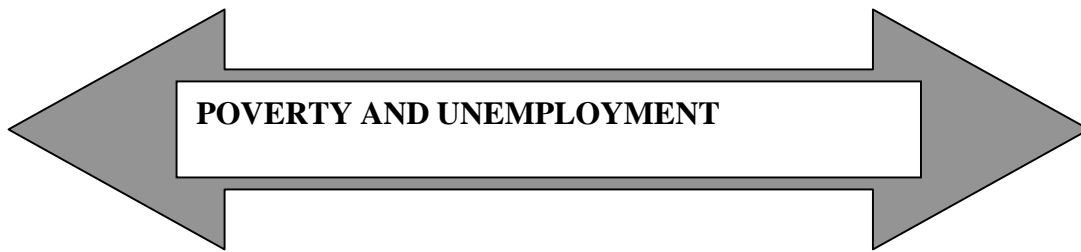
- 1) Right to Basic Needs;
- 2) Right to Safety;
- 3) Right to Choice;
- 4) Right to Information;
- 5) Right to Consumer Education;
- 6) Right to Redressal;
- 7) Right to Representation; and
- 8) Right to Healthy Environment

## **CONSUMER PROTECTION AND CONSUMERISM IN INDIA**



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<sup>8</sup> <https://www.consumersinternational.org/who-we-are/consumer-rights/>



An examination of the important problems facing the Indian consumer would make clear the need for more effective government intervention and consumer movement to safeguard consumer rights.<sup>9</sup> The following factors make the plight of the Indian consumer miserable<sup>10</sup>.

1. **Short supply of many goods and services, especially of essential items, is a very serious problem afflicting the Indian consumer.** The demand-supply imbalance has produced all the associated evils of profiteering, hoarding and black-marketing, corruption, nepotism, irresponsiveness and arrogance towards consumers. Although the situation has improved as a result of the increase in competition due to liberalization, it is still far from satisfactory.
2. **The Indian consumer is also the victim of lack of effective or workable competition.** “Competition among sellers, even though imperfect, may be regarded as effective or workable if it offers buyers real alternatives sufficient to enable them, by shifting their purchases from one seller to another,

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<sup>9</sup> <https://www.legalaims.com/consumerism-in-india/>

<sup>10</sup> [https://consumeraffairs.nic.in/sites/default/files/file-uploads/consumer\\_information/Consumer%20Handbook.pdf](https://consumeraffairs.nic.in/sites/default/files/file-uploads/consumer_information/Consumer%20Handbook.pdf)

substantially to influence quality, service, and price. Effective competition depends also upon the general availability of essential information; buyers cannot influence the behaviour of sellers unless alternatives are known. It requires the presence in the market of several sellers, each of them possessing the capacity to survive and grow, and the preservation of conditions which keep alive the threat of potential competition among sellers is thus to be found in the availability of buyers of genuine alternatives in policy among their sources of supply.”

3. **Many products with which consumers in advanced countries are quite familiar are still new to a very large segment of the Indian consumers.** The unfamiliarity of the consumers with product features makes the sale of substandard, inferior or even defective products easier in India than in advanced countries.
4. **Due to low literacy levels and unsatisfactory information flows, the Indian consumers, by and large, are not conscious of all their rights.** This encourages irresponsible and unscrupulous business attitudes and tactics.
5. **It has been said that the legal process in India is comparatively time-consuming and cumbersome.** This discourages the consumers from seeking the redressal of their grievance by means of the judicial process.
6. Consumerism in India is not well organized and developed.
7. **Though the public sector had not been developed and expanded to serve the public interest by providing effective competition to the private sector, increasing production, improving distribution, etc., it failed to produce benefits that were commensurate with the investment.**
8. Though there are a number of laws to safeguard the interests of consumers, they are not effectively implemented and enforced to achieve the objectives. The above factors are effective State intervention and consumerism to ensure the rights of consumers.

## GOVERNMENT MEASURES

In India, the Government has taken a number of measures to protect consumer interests. The various Government measures may be classified into

(i) statutory regulation of private business, and (ii) development of the public sector.<sup>11</sup>

**Statutory Regulation:** The government has enacted nearly 50 laws which can be interpreted in favour of consumer. Government of India has armed itself with a number of statutory weapons to control the production, supply, distribution, price and quality of a large number of goods and services. It is empowered to regulate the terms and conditions of sale, the nature of trade and commerce, etc. Some of such acts have been as follows.

Indian Contract Act, 1872  
Sale of Goods Act, 1930

Agricultural Produce (Grading and Marketing) Act, 1937

Industries (Development and Regulation) Act, 1951  
Prevention of Food Adulteration Act, 1954

Essential Commodities Act, 1955

Essential Service Maintenance Act, 1968

Monopolies and Restrictive Trade Practices Act, 1969  
Standard Weights and Measures Act, 1976

Bureau of Indian Standard Act, 1986  
Environmental Protection Act, 1986  
Consumer Protection Act,

1986

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**Growth of Public Sector:** There had been a significant growth and expansion of the public sector in India. One of the most important objectives of the public sector was the enhancement of consumer welfare by increasing

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<sup>11</sup> <https://iritm.indianrailways.gov.in/instit/uploads/files/1436167821091-Notes%20on%20Consumer%20Protection%20Law.pdf>

production, improving efficiency in production, improving efficiency in production and supply, making available goods and services at fair prices, curbing private monopolies and reducing market imperfections, improving the distribution system, and so on. The public sector, in fact, is expected to implement the societal marketing concept<sup>12</sup>.

There is, however, a general feeling that the public sector in India has still a long way to go to realize these objectives. It has established monopolies or near-monopolies in public utilities, whose performance is far from satisfactory.

## **CONCLUSION**

Invariably, consumers are a vulnerable lot for exploitation, more so in a developing country with the prevalence of mass poverty and illiteracy. India too is no exception to it. Instances like overcharging, black marketing, adulteration, profiteering, lack of proper services in trains, telecommunication, water supply, airlines, etc are not uncommon here. From time to time, the government has attempted to safeguard consumer's interests through legislations and the CPA 1986 is considered as the most progressive statute for consumer protection. Procedural simplicity and speedy and inexpensive redressal of consumer grievances as contained in the CPA are really unique and have few parallels in the world. Implementation of the Act reveals that interests of consumers are better protected than ever before. However, consumer awareness through consumer education and actions by the government, consumer activists, and associations are needed the most to make consumer protection movement a success in the country.

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<sup>12</sup> [https://dpe.gov.in/sites/default/files/Chapter-1-Overview%20%26%20Profile\\_Final\\_0.pdf](https://dpe.gov.in/sites/default/files/Chapter-1-Overview%20%26%20Profile_Final_0.pdf)

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