CHAPTER – I

INTRODUCTION & DESIGN

1.1 Introduction & Design:

When the World was younger and communities were smaller, there was no trade. So there was only barter system but slowly when trade started progressing, consumers started facing many problems. It is known that ultimate object of any production is consumption. Every consumer has certain wants and a strong desire to satisfy them. The consumer purchases certain goods under the impression that the goods would satisfy his wants. So every producer should satisfy the needs of the consumer effectively for the very existence of his enterprise. Particularly in a free enterprise economy, the consumer is regarded as the king. The modern concept of marketing also accepts the place of the consumer. Philip Kotler has rightly pointed out that “We are not the boss; the consumer is; what the consumer wants the consumer gets.”

Consumers play a vital role in the economic system of a nation because in the absence of effective demand that emanates from them, the economy virtually collapses. Mahatma Gandhi said, "A consumer is the most important visitor on our premises. He is not dependent on us, we are on him. He is not an interruption to our work; he is the purpose of it. We are not doing a favour to a consumer by giving him an opportunity. He is doing us a favour by giving us opportunity to serve him. But, of late, unfortunately cheating by way of overcharging, black marketing, misleading advertisements, etc has become the common practice of greedy sellers and manufacturers to make unreasonable profits.

Even though consumer is treated as King, but he is exploited in many ways. The various ways of exploitation that a consumer faces is briefed here.
1. The consumer is the main sufferer of inflation. He pays more and earns much less in real terms.

2. He is the one to suffer most from the acute shortage of essential Commodities.

3. He is often cheated and fleeced by adulterated goods and false advertisements.

4. Short weights and measures, deceptive packaging, profiteering and countless frauds of similar types are committed on him.

5. He is often victimized by deceptive and unfair trade practices.

6. Indirect taxes also hit him considerably particularly, when they can be transferred to consumers in the form of price rise.

7. Many a time the consumers are provided with products that are unsafe or endanger the health and welfare of the consumers.

8. Ecological and environmental effects of chemical and fertilizer of finery complexes also hit the consumer badly. They pollute water, air and food and endanger human life. The consumer should be assured of a healthy environment free from pollution.

Consumerism has received more attention in recent business literature, but it is not a recent phenomenon. Historically, we have long been concerned with legislation designed to protect the consumer. The present cord of consumer unrest is not unique in history. The consumer movement occurred on three occasions in the United States.

The first consumer movement took place in the early 1900's and was fueled by factors like rising prices. The second wave of consumerism took place in the mid of 1930's and the causes for this movement were an upturn in consumer prices in the midst of the depression and another drug scandal. The third movement began in 1960, as a result of a complex set of developments. However the present movement has become a significant social movement and it shows every indication of growing stronger in the years ahead.

Consumerism is a collective endeavor of the consumer to protect their interest against exploitations. It can also be described as the organizations, activities and
attitudes of the consumers in their relation to the distribution of goods and services. As far as Indian consumers are concerned, they are in awkward position. Majority of them is poor, illiterate and residing in villages. So consumer guidance Society was established in 1966 as a voluntary non-profit, non-political organization. The organization was, in fact, established by nine housewives and few social workers who were deeply concerned with the conscious need for a consumer organization to protect, promote and serve the interests of the consumers and to unite the Indian consumers in a strong consumer movement.

India has been observing 15 March since 1989 as the National Consumers’ Day. This day has a historic importance as it was on this day in 1962, when the Bill for Consumer Rights was moved in the US Congress. During his speech President John F. Kennedy had remarked:

“If a consumer is offered inferior products, if prices are exorbitant, if drugs are unsafe or worthless, if the consumer is unable to choose on an informed basis, then his dollar is wasted, his health and safety may be threatened, and national interest suffers.”

John F. Kennedy had equated the rights of the ordinary American consumer with national interest. He gave the American consumer four basic rights:

1. The Right to Safety - to be protected against the marketing of goods which are hazardous to health or life.
2. The Right to Choose - to be assured, wherever possible, access to a variety of products and services at competitive prices: and in those industries where competition is not workable and Government regulation is substituted, an assurance of satisfactory quality and service at fair prices.
3. The Right to Information - to be protected against fraudulent, deceitful or grossly misleading information, advertising, labeling, or other practices and to be given the facts s/he needs to make an informed choice.
4. The Right to be Heard - to be assured that consumer interests will receive full and sympathetic consideration in the formulation of Government policy, and fair and expeditious treatment in its administrative tribunals.
While these rights served the interest of the American consumer well enough, they did not cover the whole gamut, because a global consumer did need, apart from them, other well-defined rights like basic needs, a healthy environment and redress.

The Consumers International (CI), former International Organisation of Consumer Unions (IOCU), the umbrella body, for 240 organisations in over 100 countries, expanded the charter of consumers rights contained in the US Bill to eight, which in a logical order reads:

1. Basic Needs
2. Safety
3. Information
4. Choice
5. Representation
6. Redress
7. Consumer Education
8. Healthy Environment

**BIRTH OF CONSUMERS’ DAY**

Considering the importance of Kennedy’s speech to the US Congress on this day, and the resultant law, the CI took a decision in 1982 to observe 15 March as the World Consumer Rights Day from 1983. Peculiar though it may sound, 15 March is not observed as a special day in the world’s largest and most pulsating consumer society - the US. But at home in India the Government, adopted 15 March as the National Consumer’s Day. India is a country, which never fell behind in introducing progressive legislation - we were among the first in the world to introduce universal adult franchise for women.

Gandhi had rightly said:
“...customer is the most important visitor on our premises. He is not dependent on us. We are dependent on him. He is not an interruption in our work - he is the purpose of it.
We are not doing him a favour by serving him. He is doing us a favour by giving us the opportunity to serve him”.

BIRTH OF ‘COPRA’

The right to redress lead to the passing of the Consumer Protection Act (COPRA) in 1986 in India which has been defined as the Magna Carta of consumers but, it recognizes only six of these eight rights:

1. Safety
2. Information
3. Choice
4. Representation
5. Redress
6. Consumer Education

Besides this statutory recognition, COPRA has succeeded in bringing about revolutionary judicial reforms by providing juristic quasi-judicial courts solely for redressal of consumer grievances (where a price has been paid), for adjudication within a limited time frame of 90 to 150 days.

The rights of basic needs and healthy environment could not be provided in COPRA as these symbolised the aspiration of the poor and the disadvantaged, and were not the subject matter of priced commodities and services available in the market place. However, these are the backbone of peoples’ movements in both the developing and the developed worlds.

Yet, in spite of pulsating movements, the rights of consumers could and were trampled on and often. There existed a vacuum in the definition of rights. It was often seen that boycotts would be spontaneous or organised in an adversarial situation, examples of, which are numerous. On an occasion in Calcutta a boycott of fish was
successfully organised and the marketing cartel had to bow down, by cutting the inflated prices, rather than store rotting fish.

The consumer movement in India is as old as trade and commerce. In Kautilya’s *Arthashastra*, there are references to the concept of consumer protection against exploitation by the trade and industry, short weighing and measures, adulteration, and punishment for these offences. In a developing country like high and the level of literacy is very low, the people face a volume of problems, particularly in the context of consumer related issues.

Situation in India now has taken a change and the Indian consumers started realizing their rights and come forward to protest when the right is denied. This situation is the result of various Government measures introduced from time to time in the recent past.

Consumer awareness is part and parcel of consumer movement which is related with consumer protection and consumerism. Consumer movement emerged on account of the deceptive marketing techniques adopted by the marketers, shortage of consumer goods, adaptation of good and black marketing prices, misleading, advertisement, changing dimension in the society namely increase in Income and education and active campaign by the consumer organization and role of the state in protecting the consumer’s interest through consumer protection Act.

In the good olden days the principle of Caveat emptor', which meant buyer beware governed the relationship between seller and the buyer. In the era of open markets, buyer and seller come face to face, seller exhibited his goods, and buyer thoroughly examined them and then purchased them. It was assumed that he would use all care and skill while entering into transaction.

The maxim relieved the seller of the obligation to make disclosure about the quality of the product. In addition, the personal relation between the buyer and the seller
was one of the major factors in their relations. But with the growth of trade and its globalization the rule no more holds true. It is now impossible for the buyer to examine the goods before hand and most of the transactions are concluded by correspondence. Further on account of complex structure of the modern goods, it is only the producer / seller who can assure the quality of goods. With manufacturing activity becoming more organized, the producers / sellers are becoming stronger and organised whereas the buyers are still weak and unorganized. In the age of revolutionized information technology and with the emergence of e-commerce related innovations the consumers are further deprived to a great extent. As a result buyer is being misled, duped and deceived day in and day out. Mahatma Gandhi, the father of nation, attached great importance to what he described as the "poor consumer", who according to him should be the principal beneficiary of the consumer movement. He said "A Consumer is the most important visitor on our premises. He is not dependent on us we are on him. He is not an interruption to our work; he is the purpose of it. We are not doing a favour to a consumer by giving him an opportunity. He is doing us a favour by giving an opportunity to serve him."

Inspite of these views consumerism is still in its infancy in our country, thanks to the sellers market and the government monopoly in most services. Consumer awareness is low due to the apathy and lack of education among the masses. No one has told them about their rights - to be informed about product quality, price, protection against unsafe products, access to variety of goods at competitive prices, consumer education etc. What consumerism lacks here is education and information resources, testing facilities, competent leadership, price control mechanism, and adequate quasi-judicial machinery. The providers of goods and services have been reluctant to give due consideration to consumer interest protection

In present situation, consumer protection, though as old as consumer exploitation, has assumed greater importance and relevance. Consumerism is a recent and universal phenomenon. It is a social movement. Consumerism is all about protection of the interests of the consumers. According to McMillan Dictionary (1985)
"Consumerism is concerned with protecting consumers from all organisations with which there is exchanged relationship. It encompasses the set of activities of government, business, independent organisations and concerned consumers that are designed to protect the rights of consumers". The Chamber's Dictionary (1993) defines Consumerism as the protection of the interests of the buyers of goods and services against defective or dangerous goods etc. "Consumerism is a movement or policies aimed at regulating the products or services, methods or standards of manufacturers, sellers and advertisers in the interest of buyers, such regulation maybe institutional, statutory or embodied in a voluntary code occupied by a particular industry or it may result more indirectly from the influence of consumer organisations"

As commonly understood consumerism refers to wide range of activities of government business and independent organisations designed to protect rights of the consumers. Consumerism is a process through which the consumers seek redress, restitution and remedy for their dissatisfaction and frustration with the help of their all organised or unorganised efforts and activities. It is, in-fact a social movement seeking to protect the rights of consumers in relation to the producers of goods and providers of services. In-fact consumerism today is an all-pervasive term meaning nothing more than people's search for getting better value for their money. Consumer is the focal point of any business. Consumers' satisfaction will benefit not only business but government and society as well. So consumerism should not be considered as consumers' war against business. It is a collective consciousness on the part of consumers, business, government and civil society to enhance consumers' satisfaction and social welfare which will in turn benefit all of them and finally make the society a better place to live in.

1.2. Act of India

The Consumer Protection Act was enacted in 1986 based on United Nations guidelines with the objective of providing better protection of consumers' interests. The Act provides for effective safeguards to consumers against various types of exploitations and unfair dealings, relying on mainly compensatory rather than a punitive or preventive
approach. The Act applies to all goods and services unless specifically exempted, and covers the private, public, and cooperative sectors and provides for speedy and inexpensive adjudication. The rights provided under the Act are:

- The right to be protected against marketing of goods and services which are hazardous to life and property
- The right to be informed about the quality, quantity, potency, purity, standard and price of goods and services, as the case may be, to protect the consumer against unfair trade practices
- The right to be assured of access to a variety of goods and services at competitive prices
- The right to be heard and assured that consumer interest will receive due consideration at appropriate fora
- The right to seek redressal against unfair or restrictive trade practices or unscrupulous exploitation of consumers
- The right to consumer education

Under the Consumer Protection Act, 1986 a threetier, simple, quasi-judicial machinery has been established at the national, State, and district levels for hearing cases raised by consumers. The Act had been amended in 1991 and again in 1993. A comprehensive amendment was last made in 2002 for making the Act effective, functional and purposeful. The amended Act, inter alia, provides for the attachment and subsequent sale of the property of a person not complying with an order.

Although implementation of the Consumer Protection Act can be viewed as a success, there are still serious shortfalls in achieving consumer welfare because of the deficiencies in quality infrastructure in the country.

First, there is a regulatory deficit in many products and services which impact on the health, safety and environment of the consumers and mandatory standards have not been prescribed for such products as electrical and electronic goods, IT and telecom
equipment, industrial and fire safety equipment and toys. There is a multiplicity of regulatory/standardization/conformity assessment bodies and proliferation of certification and inspection bodies. At present, the Quality Council of India (QCI) is the main accreditation body for conformity assessment bodies taking up product or system certification or for inspection bodies, and the National Accreditation Board for Laboratories performs the same function for laboratories. However, there is no compulsion on the conformity assessment bodies, inspection bodies or laboratories to obtain accreditation, thus creating a lack of certainty about the existence of quality products, systems, inspections and laboratories.

Laboratory infrastructure is weak in terms of international norms. Quality professionals lack the skills to guide quality improvement efforts in industry. There is apathy among businesses towards standardization in general, and lack of awareness among them about the impact of standards on quality, competitiveness, and profitability. There is absence of consumer demand for quality goods and services primarily because of lack of awareness among them regarding quality issues. In short, there is absence of a quality culture in the country. At a time when tariff barriers are falling worldwide as a result of multilateral trade negotiations and in the context of Foreign Trade Agreements (FTAs), and technical barriers to trade have become more significant as determinants of trade flows, urgent action has become necessary to correct the situation in the country as described above.

If the quality of Indian products and their conformity with international standards is to be accomplished by Indian producers, the impulse must be generated from within the country. Nothing can have a more powerful impact on the producers than the demand for quality products by quality-conscious domestic consumers.

**Simplicity of Indian Consumerism**

Consumer Protection Act, 1986 has many advantages over other Laws related to consumer. It is simple, easy to understand even by a common man, less time consuming
process, provides various relief to consumer which otherwise not provided by other Laws.

Some of its advantages over other Laws are:-

1. No Need to Physically Appear in Court

   - In an action under Consumer Protection Act normally there is very rare need to appear before Court.
   - Complaint can be sent through Registered Post.
   - Complaint instead of appearing himself authorizes some person to appear in Court on its behalf.
   - Witness can give his Evidence through Affidavit without appearing in Court.
   - Even the person against whom complaint is made can authorize someone else to appear on his behalf in the Court instead of appearing himself.

2. Simple Procedure

   It can be easily understood even by layman. Lengthy /Complicated procedure of civil/Criminal Courts need not be applicable. Procedure based on principles of Natural Justice – Action taken only after giving due opportunity of hearing to opposite party.

3. No Need of Advocate

   There is no need of Advocate for proceedings before Consumer Courts. One can appear himself or authorize someone to appear in Consumer Court on his behalf.

4. Nominal Fee

   Court Fee is minimum Rs. 100/- for matter involving less than Rupees One Lakh and maximum Rs. 5,000/- for matter involving more than Rupees One Crore is payable. This Fee is almost fifty times less in comparison with Civil Courts.
5. Delay Tactics

It is normally practice to seek dates from Courts (Adjourning) for one reason or another. Consumer Protection Law to stop such delay tactics has imposed a cost of minimum Rs. 500/- for one such adjourning which can go to more than Rs. 500/- on the basis of value and nature of case.

6. Service of Summons

Consumer Court can serve summon through Registered Post or Couriers also while in Civil Tribunal Court, it is complicated because of which opposite party can avoid summon for quite long period.

7. Cost to Complainant

A Consumer Court as a routine allow cost to complainant for expenses incurred by him for filing complaint – Court proceedings etc. – While in other Courts this is done in very less cases.

8. Prevention of Misuse

Consumer Protection Act is a liberal, Welfare Law. There is possibilities of persons misusing its liberal provisions – To stop them Consumer Courts can burden, Complainant of frivolous and vexatious complaints, with cost up to Rs. 10,000/-.

9. Time Bound Proceedings

Consumer Protection Act provides time bound proceedings for disposal of cases. Though many times practically it is not possible to dispose the case in fixed time period – Consumer Courts are empowered to extend such period – but it is also true that consumer Courts takes much less time to decide a case in comparison with other Courts.
10. Court Atmosphere

Finally Courts has different atmosphere than other Courts – its Judges do not require wearing usual Black Coats – Advocates also not required wearing Black Gown. The chairs of Judges are simple; persons coming to Consumer Courts are treated well. They had atmosphere of openness, simple but impressive. Persons visiting them feel better in such courts.

1.3. RESPONSIBILITIES OF CONSUMERS

1. BEFORE BUYING

- Planning in advance
- Enquiring past performance of product / service
- Enquiring about reputation and past performance of producer / seller / service provider

2. WHILE BUYING

- Asking for demonstration regarding how to operate / use the product/service
- Enquiring about after-sales service and ensuring availability, phone number, address and e-mail of service center
- Reading and knowing the contents of guarantee / warranty card
- Insisting for approved sale bill with serial number, address, phone number, etc.
- Obtaining guarantee / warranty card and getting it signed/sealed by dealer

3. AFTER BUYING

- Using products as per instruction given in user manual
- Keeping bills and guarantee card safely
• In case of fault inform dealer and service center. Do not meddle or repair yourself
• Keeping record for all correspondences
• Seek immediate redressal of deficiency in product

1.4 Statement of the problem:

A change in the perception of consumer attitude as regards safeguarding his right in the matters associated with consumption of a product/service is obvious in view of the legal protection granted by Government of India. The Consumer Protection Act guarantees the rights such as right to safety, right to be informed, right to choose, right to be heard, right to redress, right to consumer education and right to healthy environment. This Act expects the consumer to assert his rights and development of consumer organization as a watchdog of consumer interest.

Various other measures initiated by Government of India from time to time has two fold objections viz. encouraging consumer to fight for his right and protect himself on the one hand and insist businessman to excise rigid self discipline on the other hand. In view of this measures it is hoped that the consumers to have a fair deal and protected themselves from exploitation. But in reality it is not so. The unscrupulous sellers continue to defraud the consumers and take advantage of every situation. In this context it is believed that the consumer should be well aware of his rights granted by various legal measures. To what extend the consumers are aware of rights and what their attitude towards the legal measures assumes importance in the light of safeguarding the interest of the consumers and that forms as the problem of the study.
1.5. Objectives of the study:

This study has been done for the following objectives:

1. Study about the awareness of Consumer Protection Act of India in Coimbatore city.
2. Ranking the awareness level of the respondents towards various protection Acts in India.
3. Finding out the knowledge of usage of Consumer Protection Act.
4. To study the attitude of consumers out of the consumer protection Act in Coimbatore city.
5. Know the reaction towards satisfaction of respondents towards their recent purchases.
6. Doing a comparative study about the service at sales point, prices, quality with the satisfaction in usage for the recent purchases made by the respondents.
7. To rank the suggestions given by the respondents.
8. Giving necessary suggestions based on findings.

1.6. Scope of the study:

This study is an attempt to find out the mind set of common public and how the law has been used by them. It is more than 20 years of passing the Act in India to what extend it has reached the public should be understood and also what Government should do further or what consumer’s should do further is also to be known.

1.7. Methodology:

This study been conducted with primary data. A questionnaire has been prepared and 550 copies has been circulated to general public on random basis within the city limits. City limits has been fixed based on the corporation and municipal limits of the city which forms 25 kms radius from the heart of the city (collector office) and in
that researcher received 512 questionnaires back, around 500 questionnaires has been selected as fit enough to undergo the analysis work.

SPSS package has been used for making analysis and following analysis were done to make the study interesting

- **Chi-square**: The Chi-Squared Test of Association allows the comparison of two attributes in a sample of data to determine if there is any relationship between them. The idea behind this test is to compare the observed frequencies with the frequencies that would be expected if the null hypothesis of no association / statistical independence were true. By assuming the variables are independent, we can also predict an expected frequency for each cell in the contingency table. If the value of the test statistic for the chi-squared test of association is too large, it indicates a poor agreement between the observed and expected frequencies and the null hypothesis of independence / no association is rejected.

- **Phi and Cramer’s V**: This tests the strength of association of the cross tabulations. It is a variant of the phi coefficient that adjusts for the number of rows and columns. Values range from 0 (no association) to 1 (the theoretical maximum possible association).

- **Contingency coefficient**: This tests the strength of association of the cross tabulations. It is a variant of the phi coefficient that adjusts for statistical significance. Values range from 0 (no association) to 1 (the theoretical maximum possible association).

- **Cohen’s Kappa**: Cohen's kappa coefficient is a statistical measure of inter-rater agreement for qualitative (categorical) items. It is generally thought to be a more robust measure than simple percent agreement calculation since \( \kappa \) takes into account the agreement occurring by chance.

- **Kendall Tau b**: This tests the strength of association of the cross tabulations when both variables are measured at the ordinal level. It makes adjustments for ties and is most suitable for square tables. Values range from -1 (100% negative
association, or perfect inversion) to +1 (100% positive association, or perfect agreement). A value of zero indicates the absence of association.

- **Kendall Tau c**: This tests the strength of association of the cross tabulations when both variables are measured at the ordinal level. It makes adjustments for ties and is most suitable for rectangular tables. Values range from -1 (100% negative association, or perfect inversion) to +1 (100% positive association, or perfect agreement). A value of zero indicates the absence of association.

- **Eta**: Comparing two variables which may likely to depend on each other. For example Gender Vs dressing style.

- **Friedman test**: The Friedman test is a non-parametric test for testing the difference between several related samples

1.8. Hypothesis:

Hypotheses has been framed for this study and they are

a. Democratic factors of individuals and reaction to dissatisfaction are independent factors
b. There is no significant relationship between democratic factors of individuals and awareness of consumer protection measures Act.
c. Democratic factors of individuals and attitude of consumers are not significantly associated.
d. There is no significant association between service at sales point, price, quality of the products purchased by respondents and their satisfaction in usage.
e. Various level of awareness of respondents towards consumer protection measures Act is not significant.
f. There is no significant relationship between knowledge of using the Act and awareness of the Act.
g. Rating provided by the respondents are not significantly different respondents towards improvement of consumer protection measures Act
1.9. Limitations of the study:

In spite of various efforts made by the researcher, this study has its own limitations and the limitations that could be identified are given below:

1. The study has concentrated only within the city limits of Coimbatore and it cannot be considered as the mindset of entire Coimbatore.
2. This study has taken only random sample and this random sample may not represent equal proportion of all people of the society.
3. Time limit of the study has made the researcher to restrict the products taken in the study.
4. All the relevant Acts could not be brought in to the study due to restriction needed in the work.
5. Respondents who were taken for the study may not be the exact representation in views of the huge population of Coimbatore city.

1.10. Chapter Scheme of the Study:

The study has been divided into six chapters and they are given below:

1. Chapter I - Introduction
2. Chapter II - Review of literature
3. Chapter III - An outlook of Consumer Protection Measures
4. Chapter IV - Analysis of the study-Traditional analysis
5. Chapter V - Analysis of the study- Scientific analysis
6. Chapter VI - Findings, suggestions and conclusion.