Chapter 1

WORKING OF CONSUMER PROTECTION AND GUIDANCE SOCIETIES IN KERALA - AN EVALUATION

INTRODUCTION

The state of Kerala is one of the highly literate states in India. It is a leading consumer state. In a free enterprise economy the consumer is occupying a decisive position and a satisfied consumer is an asset to the business. Even though consumer satisfaction is highlighted as primary function of producers and traders, consumers are constantly exploited. The Consumer Protection Act was passed in 1986\(^1\) to guard the consumers against exploitation. A major outcome of this law was the exponential spurt of voluntary consumer organizations in India. This happened due to the fact that, under the definition of ‘Complaint’ in CP Act, 1986 voluntary consumer associations are recognized as having locus standi to file complaints on behalf of consumers, even if the consumers are not members of the association.

Legislations are essential to regulate trade practices as well as to protect the consumers from the dishonesty of businessmen. But legislations alone are not a panacea for eradicating completely this mammoth problem. Organized effort is needed from the consumers to bridle this menace. In this context the voluntary consumer organisations’ contributions cannot be under-estimated.

\(^1\) Hereinafter referred to as the CP Act, 1986.
The importance of these organizations has increased now-a-days due to the policy change in the Public Distribution System (PDS) in India, which is part and parcel of the retail distribution system in our country. The public distribution system aims at supplying certain essential commodities like rice, wheat, sugar, kerosene etc, at reasonable prices to the weaker sections of the society. Following the new financial policy in 1991 the food subsidies allowed by the Central Government were cut down and ‘Targeted Public Distribution System’ was introduced. The charging of differential price system to people below poverty line and above poverty line was introduced in June 1997. This triggered a rising tendency of prices and consequently the exploitation of consumers. This situation invited the attention of many voluntary consumer organizations to come forward for the cause of consumers.

Now-a-days the business world is witnessing tremendous changes in the tastes and needs of the consumers. Simple kinds of goods and services are replaced by complex products and services. Due to advancement in science and technology, the speed with which these products and services are turned out are far ahead of the speed of the consumers in understanding and evaluating them. To evaluate the products and services he needs expert knowledge, which is usually beyond his capability. This makes him difficult for a comparative analysis to ascertain whether the product or service is worth for its price. In the absence of a reliable agency to provide true and fair information, the consumers have to rely on the information provided by the traders. The commercial world is utilizing professionals in marketing of goods and services. In fact they work hard to push forward their sales to new heights causing much dissatisfaction to consumers who suffer in silence. They therefore need guidance against the unfair trade practices of businessmen and the voluntary consumer organisations are reported to be doing yeomen service in this area.
Statement of the problem.

From the year 1982 onwards the Voluntary Consumer Organizations have come to be set up in Kerala.\(^2\) Presently, there are a large number of voluntary consumer organizations working in Kerala. The majority of voluntary consumer organizations are registered as societies.\(^3\) The voluntary consumer organizations that are registered either under The Travancore – Cochin Literary, Scientific And Charitable Societies Registration Act, 1955 or under The Societies Registration Act, 1860, which are registered with Government of Kerala are termed as ‘Consumer Protection and Guidance Societies’\(^4\) for the present study. In 1996 there were 108 registered units under the Government of Kerala.\(^5\) At present there are 126 Registered Units under Government of Kerala, out of which 98 are Registered Societies. These societies are located in urban, semi urban and rural areas in Kerala.

The published Annual Reports of these societies are giving ample insight about the area of their operation and style of their functioning and have been given an impression of being very active in consumer education, consumer guidance and consumer protection. These annual reports are stating that, their efforts have been instrumental in bringing about consumer welfare in the form of reduced prices, better quality, right quantity, effective after sales service, mutual settlement of consumer disputes and so on. But a preliminary enquiry conducted in this field reveals that the

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3. Ibid. p.98.
4. Hereinafter referred to as CP&G Society.
working of these societies is only on paper and claims made by them are false and the consumers are not properly benefited from the existence of these societies.

Further some of these societies are controlling and guiding certain retail business outlets widely known as ‘Margin Free Markets’ on franchisee basis. On the basis of their control and guidance, these retail-trading units are said to be supplying goods of superior quality with proper quantity at lower price. But strong allegations are leveled against these retail-trading units questioning the veracity of their claim. The reports in the newspaper indicate that the goods supplied by them are of sub-standard quality having less selectivity with much difference in the quantity packed by them. Attractive benefits are offered only in advertisements to induce the consumers, but they are not really provided with. This is a case of consumer being deceived by the margin free markets. Considering the gravity of the situation the Ministry of Civil Supplies (Kerala) has embarked itself on to a fact-finding mission regarding the activities of these margin free markets. As these societies have been in existence for a fairly long time it is necessary to ascertain the truth of their claim and hence it is proposed to conduct a study on the working of these societies covering all their functions to find out how far they have been effective in bringing about consumer welfare in Kerala.

Significance of the study

The consumers are encountered with two major problems. Firstly, whether the facts and figures related to the products and services advertised through various

7. Ibid
media are true and secondly the products and services are worth their price. In the absence of reliable information, the consumers are compelled to rely upon the traders. The various advertisements fail to inform the consumers the true nature of the products and services and very often raises expectations beyond that which can be fulfilled by a product or service. As the producers and traders are well organized, they can rule the unorganized and ill-informed consumers very easily. As the consumers are less equipped, the bargaining power of the consumers is very low and the traders take this opportunity to fill their coffers. The Consumer Protection Act, 1986 gave the ground for the registered voluntary consumer organizations to stand for the cause of consumers, which paved the way for the entry of CP&G Societies to fight for the welfare of consumers.

The state of Kerala also witnessed the establishment of a number of such CP&G Societies. These societies are formed to educate, guide and protect the consumers from the atrocities of manufacturers and traders and to work for the welfare of the consumers. The Consumer Protection Act, 1986 authorises the voluntary consumer organizations to bring the consumer problems before the concerned Consumer Disputes Redressal Agencies on behalf of individual consumers. Their efforts are reflected in District Consumer Forums, State Commissions, National Commission and in mutual settlement of the disputes with the parties.

The present study “Working of Consumer Protection and Guidance Societies in Kerala – An Evaluation” is undertaken to examine the evolution of the functions of CP&G Societies, to take stock of the present state of affairs of consumer rights and their enforceability in India, to ascertain the problems faced by CP&G Societies, to evaluate the performance of governing body members of CP&G
Societies and to examine the perception of the consumers with regard to margin free markets run under the guidance and control of CP&G Societies in Kerala. As the influence of these organizations is increasing day-by-day, it is necessary to conduct a study covering all the above stated areas and hence this study.

The findings of the study will be highly useful to the voluntary consumer organizations, government, administrators and policy makers in evolving proper and effective measures for better protection of the interest of the consumers. Based on the survey analysis and findings on the above area, the government can also take appropriate steps to modify and strengthen the clauses of Consumer Protection Act, 1986 to make the CP&G Societies an effective tool for consumer welfare.

Scope of the study

The scope of the study is limited to the geographical area of Kerala State. The study is confined to Voluntary Consumer Organizations registered either under The Travancore – Cochin Literary, Scientific And Charitable Societies Registration Act, 1955 or under The Societies Registration Act, 1860, which are registered with Government of Kerala.

Objectives of the study

The main objectives of the study are:

1. To review the historical development and to examine the evolution of the functions of CP&G Societies.
2. To take stock of the present position of enforceability of consumer rights in India.

3. To evaluate the functions and to assess the problems faced by CP&G Societies in Kerala.

4. To assess the performance of governing body members of CP&G Societies in Kerala.

5. To examine the perception of consumers with regard to margin free markets run under the control and guidance of CP&G Societies in Kerala.

6. To make suitable suggestions and recommendations based on the findings of the study.

Hypotheses

Following hypotheses have been formulated on the basis of the objectives of the study.

1. CP&G Societies in Kerala are not performing significant functions in promoting consumer education, consumer guidance and consumer protection.

2. CP&G Societies in Kerala are facing problems in the areas such as administration, finance, consumers/complainants and business community, which affect their functions.

3. The performance of Governing Body Members is not effective in the working of Consumer Protection and Guidance Societies in Kerala.
4. Margin free markets run under the control and guidance of Consumer Protection and Guidance Societies in Kerala are not providing better treatment to consumers in matters such as price, quality, quantity and after sales service.

Research methodology

Period of study

The study covers a period of 10 consecutive years starting from 1st January, 1993 and ending on 31st December, 2002. The Consumer Protection Act, 1986 was amended in 1993 by substituting various provisions mainly for the better protection of consumer interest and hence the importance of the period of study.

Sources of data

The study is descriptive and analytical. The required data for the study are collected from both primary and secondary sources.

Primary data

The primary data for the study have been collected from the following sources.

1. Registered sample CP&G Societies in Kerala.

2. The sample 'Governing Body Members' (President, Vice president, Secretary, Treasurer and one Committee Member) of CP&G Societies in Kerala.

3. The sample 'Consumers' who buy goods from the margin free markets run under the guidance and control of CP&G Societies in Kerala.
Secondary data

The secondary data for the study have been collected from the following sources:

1. Reports, bulletins and surveys both Indian and foreign relevant to the study.

2. Byelaw and audited accounts of CP&G Societies in Kerala.

3. Books, journals, seminar papers, speeches, symposia, conferences etc. related to the consumer education, consumer protection and consumer guidance.

4. The study reports of various commissions and committees relevant to the study.

5. Study reports of well established consumer organizations like Consumer Education and Research Centre-Ahmedabad, Consumer Guidance Society of India-Bombay, Voluntary Organisation in the Interest of Consumer Education-Delhi and Consumer Unity & Trust Society-Jaipur.


7. The case law laid down by courts and quasi-judicial bodies in India on the subject.

Sample design

Sampling techniques have been applied for the collection of primary data from the selected three sources.

1. Registered CP&G Societies in Kerala.

At present there are 98 CP&G Societies that are functioning all over Kerala. The state of Kerala has fourteen districts. For the purpose of sample design seven districts (Trivandrum, Kottayam, Ernakulam, Trichur, Kozhikode, Palakkad, and Wayanad) have been selected at random from these fourteen districts. All the 60 CP&G Societies functioning in the seven selected districts have been selected for collecting the data.

For collecting data from the sample CP&G Societies a structured interview schedule was used. A pilot study was conducted covering the CP&G Societies belonging to Kottayam and Ernakulam districts for the finalisation of interview schedule. The original interview schedule after making necessary changes on the basis of the pilot study was finalized and used for the study. A copy of the interview schedule used for CP&G Societies is given in Appendix 1. The number of CP&G Societies selected for intensive study from the seven districts is given in Table 1.1.
Table 1.1
Number of CP&G Societies in Kerala selected for the study

<table>
<thead>
<tr>
<th>Name of District</th>
<th>Number</th>
</tr>
</thead>
<tbody>
<tr>
<td>Trivandrum</td>
<td>12</td>
</tr>
<tr>
<td>Kottayam</td>
<td>9</td>
</tr>
<tr>
<td>Ernakulam</td>
<td>11</td>
</tr>
<tr>
<td>Trichur</td>
<td>6</td>
</tr>
<tr>
<td>Kozhikode</td>
<td>4</td>
</tr>
<tr>
<td>Palakkad</td>
<td>8</td>
</tr>
<tr>
<td>Wayanad</td>
<td>10</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>60</strong></td>
</tr>
</tbody>
</table>

2. **Governing Body Members of CP&G Societies in Kerala.**

The governing body of CP&G Society consists of President, Vice-President, Secretary, Treasurer and one Committee Member for the study. There are 98 CP&G Societies that are functioning all over Kerala. For the purpose of sample design seven districts (Trivandrum, Kottayam, Ernakulam, Kozhikode, Palakkad, Kannur and Malappuram) have been selected at random from the fourteen districts in Kerala. All the 300 governing body members of 60 CP&G Societies functioning in the seven selected districts have been selected for collecting the data.

For collecting data from the sample governing body members, a structured interview schedule was used. A pilot study was conducted covering 60 respondents by selecting 30 each from Kottayam and Ernakulam districts. The original interview schedule after making necessary changes on the basis of the pilot study was finalized and used for the study. A copy of the interview schedule
used for governing body members is given in Appendix II. The number of CP&G Societies selected for intensive study of governing body members from the seven districts is given in Table 1.2

Table 1.2
Number of CP&G Societies in Kerala selected for the study of Governing Body Members

<table>
<thead>
<tr>
<th>Name of District</th>
<th>Number</th>
</tr>
</thead>
<tbody>
<tr>
<td>Trivandrum</td>
<td>12</td>
</tr>
<tr>
<td>Kottayam</td>
<td>9</td>
</tr>
<tr>
<td>Ernakulam</td>
<td>11</td>
</tr>
<tr>
<td>Kozhikode</td>
<td>4</td>
</tr>
<tr>
<td>Palakkad</td>
<td>8</td>
</tr>
<tr>
<td>Kannur</td>
<td>10</td>
</tr>
<tr>
<td>Malappuram</td>
<td>6</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>60</strong></td>
</tr>
</tbody>
</table>

3. Consumers who buy goods from the Margin Free Markets run under the guidance and control of CP&G Societies in Kerala

The consumers in Kerala are divided into three strata viz, consumers in urban area, consumers in semi urban area, and consumers in rural area. 30 respondents (10 each from the three strata) have been randomly selected covering the seven districts (Trivandrum, Kollam, Ernakulam, Trichur, Palakkad, Kozhikode and Kannur), which were randomly selected from the fourteen districts. Thus total sample selected for the study is 210.

For collecting data from the sample consumers who buy goods from the margin free markets run under the guidance and control of CP&G Societies in Kerala, a structured interview schedule was used. A pilot study was conducted...
covering 30 respondents by selecting 15 each (5 each from 3 strata) from Kollam and Ernakulam districts. The original interview schedule after making necessary changes on the basis of the pilot study was finalized and used for the study. A copy of the interview schedule used for consumers is given in Appendix III. The number of consumers who buy goods from the margin free markets, selected for the study is given in Table 1.3.

<table>
<thead>
<tr>
<th>Districts</th>
<th>Consumers in urban area</th>
<th>Consumers in semi urban area</th>
<th>Consumers in rural area</th>
<th>Grand total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Trivandrum</td>
<td>10</td>
<td>10</td>
<td>10</td>
<td>30</td>
</tr>
<tr>
<td>Kollam</td>
<td>10</td>
<td>10</td>
<td>10</td>
<td>30</td>
</tr>
<tr>
<td>Ernakulam</td>
<td>10</td>
<td>10</td>
<td>10</td>
<td>30</td>
</tr>
<tr>
<td>Trichur</td>
<td>10</td>
<td>10</td>
<td>10</td>
<td>30</td>
</tr>
<tr>
<td>Palakkad</td>
<td>10</td>
<td>10</td>
<td>10</td>
<td>30</td>
</tr>
<tr>
<td>Kozhikode</td>
<td>10</td>
<td>10</td>
<td>10</td>
<td>30</td>
</tr>
<tr>
<td>Kannur</td>
<td>10</td>
<td>10</td>
<td>10</td>
<td>30</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>70</strong></td>
<td><strong>70</strong></td>
<td><strong>70</strong></td>
<td><strong>210</strong></td>
</tr>
</tbody>
</table>

Tools of analysis

For the purpose of analysis, simple statistical tools such as Tables, Charts, Diagrams, Percentages, Average and Chi-square tests have been used. The collected data have been classified accordingly for this purpose. The variations in the opinion of respondents are examined by Chi-square test. To assess the order of preference of the respondents, the technique of ranking is used. In the case of six options,
weight of the six to the 1st option, five to the 2nd, four to the 3rd, three to the 4th, two to the 5th and one to the 6th has been assigned on the basis of ranking. Similarly in the case of five options, weight of the five to the 1st option, four to the 2nd, three to the 3rd, two to the 4th and one to the 5th has been assigned on the basis of ranking. The collected data have been analysed with the help of computer, keeping in view the objectives of the study.

**Definitions of the terms used in the study**

1. Voluntary Consumer Organization – means an association formed by consumer activists to protect the interest of consumers.

2. Consumer Protection and Guidance Society – means voluntary consumer organization registered either under The Travancore – Cochin Literary, Scientific And Charitable Societies Registration Act, 1955 or under The Societies Registration Act, 1860, which are registered with Government of Kerala.

3. Consumer – means an individual who is the ultimate user of goods and services. He purchases / hires goods / services only for consumption and not for resale.

4. 'Governing Body Members' - means the president, vice-president, secretary, treasurer and one committee member of the consumer protection and guidance society.

**Limitations of the study**

1. Some of the governing body members were not cooperative in revealing all the relevant information required as per interview schedule. But during the open discussion they were persuaded to reveal most of the required information.
2. The study is confined to only those voluntary consumer organizations that are registered either under The Travancore – Cochin Literary, Scientific And Charitable Societies Registration Act, 1955 or under The Societies Registration Act, 1860, which are registered with Government of Kerala.

**Presentation of the study**

The study report has been presented in to ten chapters.

**Chapter I**

Contains the introduction - statement of the problem, significance of the study, scope of the study, objectives of the study, hypotheses, research methodology - period of study - sources of data - sample design - tools of analysis, definitions of the terms used in the study, Limitations of the study and chapter vise presentation of the study report

**Chapter II**

Relates to the review of past studies on CP&G Societies in India and abroad, consumer finance, consumer goods and services, consumer laws, consumer education, consumer movement, consumer information-research and testing, consumer affairs, marketing management and consumer behaviour.

**Chapter III**

Narrates the present state of affairs of consumer rights and their enforceability in India.
Chapter IV

Gives a vivid picture of the historical development of CP&G Societies.

Chapter V

Highlights the evolution of the functions of CP&G Societies.

Chapter VI

Deals with the legal formalities connected with the formation and management of CP&G Societies in Kerala.

Chapter VII

Deals with the evaluation of functions and assessment of the problems of CP&G Societies in Kerala.

Chapter VIII

Deals with evaluation of the performance of governing body members of CP&G Societies in Kerala.

Chapter IX

Deals with consumers’ perception with regard to margin free markets run under the control and guidance of CP&G Societies in Kerala.

Chapter X

Contains the findings and recommendations of the study.