

Globalization, Liberalization and Consumerism in India

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Abstract

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. 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 this paper an attempt has been to explore the consumer protection and consumerism in India with the help of pre and post independence scenario of consumerism.

Keywords:- Consumer Protection, Consumerism, Right to Safety, Consumer Education, Redressal.

Introduction

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.

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 ones 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.

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 about the allocation of resources for their own needs. Realising this need, the International Organisation 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.

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:

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.
2. **Unorganised 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 UN Guidelines developing policies for consumer protection:

- Physical safety;
- Promotion and protection of consumers' economic interests;
- 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; and
- 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:

- 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

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.

The shopping center for cloth, known as the *sara-i-adi*, 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-adi*, 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.

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 intend 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 good act, and the principles of the law of torts were more for the protection of the trader than the consumer.

The Post Independence Scenario

The struggle for India's independence was over by 15th 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. The enactment of the Banking Companies Act, 1949 (later 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 tragedy also 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 phenomenons 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 been replaced by, “let the seller beware”. As a result of this change in scenario business has now come to be substantially regulated by Government and Authorities in favour of consumers.

Globalization, Liberalization and Consumerism

Positive implications:- The process of development coupled with increasing liberalization and globalization across the country has enabled consumers to appreciate their increasingly important role in society and governance.

Though it is said it to be ‘self reliant’ but in present scenario it seems unfeasible to tag along the same. In this day and age the world has transformed into ‘global village’ not only due to the advancement of trade and commerce but more due to technological advancement. Therefore liberalization is inevitable for a nation-state disposed to develop itself. It is very difficult for any nation to produce everything to satisfy its customer citizens, so the process of globalization and free trade is serving a noble cause for all the probable consumers by satisfying their otherwise unaddressed desires. Globalization is almost inevitable but mostly desired at the same time from the consumer’s point of view. In fact it enforces consumer’s ‘right to choice’, as envisaged by UNO in its guidelines for consumer welfare, in more sensible manner by exposing him to varieties of availabilities.

Negative implications:- Noam Chomsky, one of the world’s noted intellectuals, describes globalization thus: “Insinuation of extension of transnational corporate tyranny...Their first interest is profit—but much broader than that it is to construct an audience of a particular type addicted to a certain lifestyle with artificial wants, an audience atomized, separated from one

another, fragmented enough so that they don't enter the political arena and disturb the powerful." This, is what all about existing Indian consumer, who is now heading opposite to its own philosophy of consumerism when we compare and contrast it with that of the Gandhiji's which says that "while there is enough on earth for every man's need there is not enough for everyone's greed and that poverty is really the other face of the problem of possessiveness. "It is the consumerist mode of thinking."

Being the consumer of environment and nature today's punter of the third world is really underprivileged of his very deep-seated, fundamental and natural right in the newly evolved monstrous paradigm of globalization in which human well-being is equated with material consumption regardless of the impact of unregulated economic growth on social ties and the environment. 6% of the world's population in America is usurping 40% of the earth's non-renewable fossil fuel resources and non-fuel mining alone produces 1300 million tonnes of garbage annually. If everyone in the world were to enjoy the American standard of consumption, it has been estimated that three planets Earth would be needed!

In the World Economic Forum 1999 meet, Nobel laureate and UNDP Goodwill Ambassador, Nadine Gordimer, condemned the process of globalization for increasing consumption unprecedentedly, jeopardizing truly human prospects: "While those of us who have been the generations of big consumers need to consume less, for more than one billion of the world's poorest people increased consumption is a matter of life and death and a basic want--the right to freedom from want." She asserted that consumption is necessary for human development "when it enlarges the capabilities of and improves people's lives without adversely affecting the lives of others." This is how globalization turns out fatal for present and probable consumers as well as for national entities also.

Law and globalize world:- The presence of an international or transnational element is likely to make the application of political will, translated into law, extremely difficult. International law does not operate directly on human behavior, or the behavior of corporations; the effective actors in international law are nation-states. Rights and remedies acquired under the law of one nation may be recognized and enforced in another nation, but this is not guaranteed. To obtain redress of grievances may be difficult and technically

complex quite apart from the practical difficulties of language, location of parties, and finding a party with sufficient assets to justify initiating enforcement procedures.

Even where nation-states have the political will to unify or harmonize their legal rules, there may be difficulties in securing an expression of the policy which produces the same effects. However, the crucial factor in achieving any political solution to the control of anti-social behavior lies in the effective application of legal rules by entities sufficiently capable of asserting sanctions to affect their efficacy. If netizens can remove themselves from the scope of national laws, nation states may defeat the political process and it is not sufficiently clear what sanctions they may impose to assure compliance with rules they may themselves promulgate.

Since 1960, most developed countries with common law legal systems, the nations of Europe and most recently of Asia have enacted significant consumer protection legislation (For example, Japan, Korea and Taiwan have all recently introduced product liability legislation which is based on the 1985 Product Liability Directive of the European Communities). Such laws are national, and operate only within the geographical limits of the enacting jurisdiction, except where conflict of laws rules permit them to be applied as part of the law of some other country. Attempts to apply such existing laws to activities outside the geographical boundaries of the enacting state might prove ineffective. Examples include marketing and sale of goods or services (including financial services) online through the Internet or satellite TV by suppliers who are in remote areas, often beyond the reach of legal process. If it is impossible to locate production, marketing, distribution and trade in goods and services in a defined physical and juristic locality, no legal control is possible.

Consumer Protection Laws in the Global World:- Consumers have sought protection through legislation because the general laws and market forces have failed to provide it. Many consumer protection laws either relate to the terms and conditions of contracts that consumers make with suppliers for the supply of goods and services, or to conduct intended to encourage the making of such contracts (marketing, packaging, advertising and provision of information). Previous laws, especially the law of contracts, assumed that the parties to contracts are legally equal in terms of power and information. In substance, in real markets, almost invariably consumers have markedly less power and information than suppliers. The

law deems the action of a consumer in buying a commodity to be the making of a contract - in theory a free, consensual act. In practice, the legal consequences are attributed to the action by the law without any consideration of what the consumer actually knows or wants. The common law of contracts simply cannot afford consumers the protection they probably would seek if they were rational, fully informed, and equal in economic power to the supplier. Because contract law offers an inadequate basis for an equitable legal transaction, it must be modified by legislation in order to afford greater protection to consumers than they can negotiate individually for themselves.

Problem of legislative jurisdiction and its ways out:- Both public and private international law restricts the power of nation states to provide legal sanctions and remedies. United States anti-trust law provides a good example of Globalization being challenged in its earliest stages. The year, 1892, saw the passage of Anti Trust Laws which made the nascent Industries of the Big Business Era accountable to the people and the Government of the day. Recently, Bill Gates was brought to the book for Anti Trust violations, which turned out to be a big theme for the U S economy in the first tenure of George Bush.

How law, politics and practicalities intersect in ways that destroy international goodwill. Attempts by any single nation to proscribe activities beyond its physical boundaries by people who are neither residents nor citizens are likely to create the problem of legislative jurisdiction. When this happens, a state may enforce its extraterritorial laws within its own boundaries, but other states will steadfastly, block any attempt to enforce those laws within their own territories.

A preferable solution seems to be bilateral or multilateral international agreements under which governments concur that each will make criminal, under its domestic laws, the conduct which all desire to prohibit. This process is sometimes called “unification” or “harmonization” of law. If any activities in the Networld are to be made criminal, even though this process seems cumbersome, it may be the only acceptable means available. There are problems of securing agreement of uniform laws.

Consumer Protection and Consumerism in India

Plight of the Indian Consumer

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.

The following factors make the plight of the Indian consumer miserable.

- 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, 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.

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 to Weights and Measures Act, 1976
- Bureau of Indian Standard Act, 1986
- Environmental Protection Act, 1986
- Consumer Protection Act, 1986

BOX 1. Govt. proposes to formulate a national consumer policy

NEW DELHI: The government today proposed to formulate a national consumer policy to ensure that goods, services and technology are made available to consumers at affordable prices.

"The Draft National Consumer policy (NCP) proposes to lay down a national policy that will ensure that goods, services and technology are available to consumers at reasonable prices and at acceptable standards of quality," Minister of State for Consumer Affairs Arun Yadav said in a written reply to Lok Sabha.

Source :- The Economic Times, March 8, 2010

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 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.

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.

Box. 2 RBI-constituted panel proposes new law to make banks more accountable to customers

Small and individual borrowers will soon have greater rights. A team of senior bankers, set up by the Reserve Bank of India, has recommended a new law that will make banks more accountable and give greater protection to consumers of financial services.

The proposed law, which has the backing of the regulator as well as the government, will lay down the rights and obligation of the lenders. ? The committee has proposed that there is a need for a specific law to cover consumers of financial services, something that exists in developed markets like the US and the UK. In India, we don't have a specific law for that purpose,? a top banker familiar with the development told ET.

Source:- The Economic Times, 13.9.2010

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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