

UNIT-V

Lesson 13

MEANING AND CONCEPT OF SOCIAL RESPONSIBILITY OF BUSINESS

INTRODUCTION

Business depends on the society for the needed inputs like – money, men and skills etc. Business also depends on the society for market where products may be sold to their buyers. So, business depends on society for existence, sustenance and encouragement. Dependence of business on society is so complete that as long as the latter wants the former, business has reason to exist. Once society ceases to have any use for business, it has no place and reason to live. Being so much dependent, business has definite responsibility towards society. This is popularly called the social responsibility of business.

Social responsibility is understood as the obligation of decision-makers to take actions which protect and improve the welfare of society as a whole along with their own interest. Every decision the businessman takes and every action he contemplates have social implications.

Social responsibility of business is not new to our country. In the olden days, whenever there was a famine, the leading businessmen of the area would literally throw open their godowns and their treasure chests to provide food and other assistance to the needy. Even in ordinary times, it was the businessman who looked after the welfare of the destitute, the goshalas, wells and ponds wherever water was difficult to get, the pathashalas and so on. So to accept social responsibility is no more than rededicating ourselves to the cherished values of our ancestors in the field of business.

Discretionary responsibilities are purely voluntary obligations that an organization assumes. For examples- Philanthropic contributions, training the hard-core unemployed and providing with day-care centres. The difference between ethical and discretionary responsibilities is that few people expect organizations to fulfill discretionary responsibilities, but all expect a firm to satisfy its ethical obligations.

However, ethical and discretionary responsibilities together constitute the social responsibility of business.

The four responsibilities are listed in order of priority. A business unit must earn profit first in order to satisfy its economic responsibilities. In order to continue to exist it must

follow laws thus fulfilling legal responsibilities. After these basic responsibilities have been satisfied, the firm should seek to fulfill its social responsibilities. It can then fulfill its ethical responsibilities by doing those things that society tends to value but have not been brought under legal frame. After satisfying its ethical responsibilities, the company can focus on discretionary responsibilities-the purely voluntary actions that the society has not yet considered as important.

The discretionary responsibilities of today may become the ethical responsibilities of tomorrow. The provision of day-care facilities, for example, is moving rapidly from discretionary to an ethical responsibility. Carroll has suggested that to the extent that firms fail to acknowledge discretionary or ethical responsibilities, society will assert, and bring them under legal framework. Before that happens, it is advisable that companies undertake ethical and discretionary activities voluntarily.

Social environment is an important sector in developing economics which involves programmes and policies of the government and aims at improving the standard of living of citizen through better availability of public services.

Social system is influenced by the business functions. Society is generally affected by the organization of the business, the way how business functions, innovations, transmission and diffusion of information and new ideas.

Business activities greatly influence social attitudes, values, outlooks, customs etc. But the problem occurs as how to change different elements of social environment in short run. So the business has to adopt different uncontrollable external environments.

BUSINESS AND SOCIETY

Business is an integral part of the social system and is influenced by other elements of the society which is affected by the business.

Social Sector Services are available in different fields like-

1. Poverty and poverty alleviation programme
 2. Labor and employment
 3. Development of women and children
 4. Education
 5. Empowerment of the socially disadvantaged
 6. Public amenities in rural and urban areas
- 1. Poverty at the Country Level**

Poverty is measured on the basis of income or consumption levels. A person is considered poor if his or her consumption or income level falls below some

minimum level necessary to meet the basic needs. The minimum level is called the poverty line.

2. Labor and Employment

It provides work opportunities to the people. This helps people earn income to meet the material needs and provide them a sense of dignity and purpose of life. Efficient labour markets contribute to the cause of poverty reduction while contributing to the economic growth and development.

3. Development of Women and Children

To provide more and more employment to women, social development commits government. Child labour means all children above 12 years of age working in any economic activity i.e. age between 12 to 14 years do not engage in harmful work.

4. Education

To promote education is the World Bank's mission of poverty education. World Bank provides help for advance education in developing countries since 1963. Today it's the world's single largest provider of external funding for education.

Dual focus for education

- (i) To help countries achieve universal primary education and equally.
- (ii) Build the skills imparted at the secondary levels.

5. Empowerment of the socially disadvantaged

The socially disadvantaged classes in India are divided into the scheduled casts, scheduled tribes and other backward areas. The government has been working towards the empowerment of these classes through reservation policies regarding employment in the public sector and within educational institutions.

6. Public amenities in rural and urban areas

The responsibility for availability of amenities in rural and urban areas falls on the Government of the countries. However, in some countries local bodies are working to provide facilities like- clean drinking water and basic sanitation to people living in rural areas.

Social objective of Business

1. Protect consumer interest
2. Protect the interest of workers
3. Protect the interest of society

Reconciliation of Social and Economic Objective

Social and economic objectives encompass promoting the interest of different people like- shareholders, workers, consumers, local population and general public.

Four major objects of a responsible company

1. Extension, development and improvement of the company's business and building up financial independence
2. The payment of fair and regular dividends to the shareholders
3. Payment of fair wages
4. Reduction of prices to customers

Secondary Objectives

1. To provide bonus for the workers
2. To assist in promoting the amenities of the locality
3. To assist in developing the industry which the firm is a member of
4. To provide education, research and development in the technique of the industry

Short run and long run objective

Short run objectives may be a means to achieve long run objectives. Short run objective of market penetration may be a strategy to help achieve the long run objective of market dominance or project. Earning of profit is primary and long term objective of companies. Another long run objective is the development of local community where the secondary object is to assists the development of industry which is a part of serving the society.

Factors which generally affect the choice of objectives-

1. Forces in the environment
2. Internal forces
3. The value systems of the top executive

1. Forces in the environment

Environmental factors like government policies generally influence the business decisions and may affect the objectives of a company.

2. Internal Forces

Formulation of objectives is also affected by the internal factors of enterprise's resources and internal power relationship because internal factors usually decide the objectives. Extent of shareholders' confidence and support of top management and employer-employee relations are also influenced by internal power relationship.

3. The value system of top executive

The value system also affect the formulation of objectives like- articles of association which incorporate the provision regarding company's social and moral

responsibilities to customers, employees, shareholders, society and local community.

Arguments for Social Responsibility

1. **Changed Public Expectations of Business** – One of the most effective arguments for social responsibility is that public expectations from business have changed. It is reasoned that the institution of business exists only because it satisfies the valuable needs of society.
2. **Better Environment for Business** – Another argument favoring social responsibility is that it creates a better environment for business. This concept rationalizes that a better society produces environmental conditions more favorable for business operations.
3. **Public Image** – Each individual firm seeks an enhanced public image so that it may gain more customers, better employees, more responsive money markets and other benefits.
4. **Avoidance of Government Regulation** – Government is a massive institution with long arms. It seeks to regulate business in the public interest. Government regulation is costly and denies the much needed freedom in decision making.
5. **Balance of Responsibility with Power** – Another argument for social responsibility is that business's responsibility should be more related to its power. It is reasoned that businessmen have vast amounts of social power. They do affect the economy, minorities, and other social problems.
6. **Business has the Resources** – business has a vast pool of resources in terms of men, talents, functional expertise and money. Probably, business is without peers in respect of the resources it possesses.
7. **Let Business Try** – social responsibility of business is a sort of back-handed one. It is that, many other institutions have failed in handling social problems, so why not turn to business. Many people are frustrated with the failures of other institutions, and in their frustration, they are turning to business.
8. **Prevention is Better Than Cure** – The last point is that prevention is better than cure. If business delays dealing with social problems now, it may find itself constantly occupied with putting out social fires so that it has no time to accomplish its goal of producing goods and services.
9. **Moral Responsibility** – The acceptance of corporate social responsibility is the morally correct position. This notion suggests that our modern industrial society faces many serious social problems brought on, to a large extent, by large corporations. The corporations therefore have a moral responsibility to help solve or ameliorate these problems.

10. Citizenship Argument – Corporations are institutional members of society. If individual members of the society have an obligation to improve society-to leave the world better than they found it-corporations also have this responsibility.
11. Duty of Gratitude – Business units benefit from society. On the basis of the commonly accepted principle that one owes debts of gratitude towards those who benefit us, the corporation has certain debts that it owes to the society.

Arguments against Social Responsibility

Arguments against social responsive actions are equally strong. Some arguments are as follows:

1. Profit Maximization – The first and foremost argument disfavoring social responsibility is that business has profit maximization as its main objective. Since business in a world of poverty and hunger, the economic efficiency of business is a matter of top priority and should be the soul mission of business. Business function is economic, not social and economic values should be the only criteria used to measure success.
2. Society has to pay the Cost – Another argument is that the costs of social responsibility will be passed on to the society and it is the society which must bear them. Can the society afford these additional costs?
3. Lack of Social Skills – Business managers are best at managing matters relating to business. They are not equally good at solving social problems. Their outlook is primarily economic and that their skills are the same.
4. Business has Enough Power – Another argument is that business already has enough social power; therefore, society should not take any steps which give it more power. According to this line of reasoning, business is one of the two or three most powerful institutions in society at the present time.
5. Social Overhead Cost – Cost on social responsibility is considered to be a social cost which will not immediately benefit the business.
6. Lack of Accountability – Another point of view is that the businessmen have no direct accountability to the people; therefore, it is unwise to give businessmen responsibility for areas where they are not accountable. Accountability should always go with responsibility, and it is a poor social control to allow any other kind of arrangement.
7. Lack of Broad Support – business involvement in social goals lack support from all groups in society (stakeholders). If business does become socially involved, it will create so much friction among dissident parties that business cannot perform its social assignment.

Barriers to Social Responsibility

The Individual Manager – The individual manager is the person who is ultimately responsible for the social action programmes of any organization. The manager can initiate, advocate, and put programmes into effect. The manager can also balk, hinder, and prevent programmes from being planned or implemented.

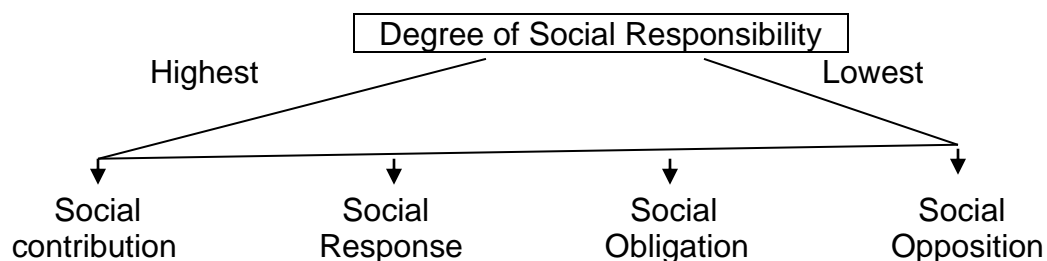
The Organization – At the organization's level, the greatest barrier is the focus on profits. Social action projects must always be evaluated in terms of the net cost. Shareholders want profits distributed in dividends or invested to expand production. Employees want higher salaries and better working conditions. Against these competing claims, social programmes may have little chance.

The Industry – There may not be support from competitors in the same industry for social action programmes.

The Division – Like the organization of which it is a part, a division must try to maintain itself as a profit centre. Any social responsibility decision that reduces the level of profit might threaten the division's viability.

Social Responsibility Strategies

In view of the ongoing controversy regarding whether or not a business has social responsibility, it is not surprising to find a wide range of industry responses to the issue. Business responses to social responsibility tend to fall within four categories: (i) social opposition, (ii) social obligation, (iii) social response and (iv) social contribution.



Social opposition – This view is taken by the businesses which feel that they have no obligation to society in which they operate. When they are caught for any offense, their immediate response is to try to cover it up while denying it.

Social obligation- This view is held by the companies which believe that they have an obligation to obey the law. That is, the only socially responsible behavior that is appropriate is the one prescribed by the law. Such businesses would install safety

equipment that is required by the law that would not spend additional money in order to install even better safety equipment.

Social response – Social response is the position taken by the companies that meet their social responsibilities as directed by the law, and will, on selective basis, go beyond the legal requirements. These units may volunteer to participate in limited socially responsible efforts, but not until they are convinced that the benefits outweigh the costs.

Social contribution – It is the position taken by the companies which believe that they have a deep obligation to serve the society. Such companies consider themselves to be responsible citizens in society and are eager to contribute whatever they can to the improvement of the society.

Social Responsibility Models

- Economic
- Legal
- Ethical
- Discretionary

The firm being an economic entity, its primary responsibility is economic, i.e. efficient operations to satisfy economic needs of the society and generation of surplus for rewarding the investors and further development.

Legal responsibilities are also fundamental in nature because a company is bound to obey the law of the land.

Ethical responsibilities are certain norms which the society expects the business to observe though they are not mandated by law. For example, a company shall not resort to bribing or unethical practices, unfair competitive practices etc.

Discretionary responsibilities refer to the voluntary contribution of the business to the social cause, like involvement in community development or other social programmes.

Factors Affecting Social Orientation

Important factors which influence the social orientation of companies include the following:

Promoters and Top Management: The values and vision of promoters and top management is one of the very important factors which influence the corporate social responsibility.

Board of Directors: As it is the Board of Directors which decides the major policies and resource allocation of company, the attitude of the members of the Board is an important influencer of the social orientation.

Stakeholders and Internal Power Relationship: The attitude of various stakeholders like shareholders, creditors, employee etc. and the internal power relationship also affect the social orientation of a company. A firm can only attempt to unite the diverse interests of various social groups to form a workable coalition engaged in creating value for distribution among members of the coalition.

Societal Factors: The social orientation of company is also influenced by certain characteristics of the society and general attitude and expectation of the society regarding the social responsibility of business. For example, a resourceful firm located in a poor community may be expected to contribute to the development of education and health facilities etc. of the locality where as such involvement may not be required of a firm in a well developed community.

Industry and Trade Associations: Industry and trade associations also influence the behavior of the firms by establishing professional and ethical codes and norms, education and collective decisions.

Government and Laws: Laws are society's codification of right and wrong. Business shall play the rules of the game. Anti trust legislations, legislations to curb corruption, unfair practices etc. vary between nations. What is right or non anti-law in one country may not be so in some other country.

Political Influences: Political influences include pressure exerted by special interest groups in society and media to control business practices. These include a variety of Non Government Organizations (NGOs) like consumer interest groups, environmentalists etc.

Competitors: Social orientation of company is also influenced by competitive forces. Two types of competitive behavior are often noted. When one or some companies become socially involved, others may be encouraged or provoked to do something. Sometimes, there may be competition between companies to out-perform others. The other way by which the society benefits by competitive behavior is the actions of suing competitors for unfair practices or publicly exposing the misbehavior of competitors.

Resources: Social involvement of companies is also affected by the financial position and other resources of the company. It may be noted that TISCO has been constrained to cap, although at fairly high level, its social responsibility expenditure.

Ethical Influences: Another factor influencing the social orientation is the ethical decision making and self-regulation of business conduct. Some companies have well laid down codes and norms of ethical behavior.

SELF CHECK QUESTIONS

LONG ANSWER TYPE QUESTIONS:

1. What is meant by social environment of business? Discuss the social objectives of business.
2. Discuss the social responsibility for and against of business.

SHORT ANSWER TYPE QUESTIONS:

1. Discuss the barriers to social responsibility of business.
2. Discuss the approaches to social responsibility of business.

OBJECTIVE TYPE QUESTIONS:

1. Under dual price system the weaker sections of the community are supplied goods through
 (a) public sector enterprise (b) government department
 (c) Fair price shops (d) subsidiary company (e) none of these
 Ans: (c)
2. Fiscal policy of the government usually relates to _____
 (a) Public revenue and company expenditure (b) company revenue and public expenditure
 (c) Company revenue and government (d) public revenue and public expenditure
 Ans: (d)

Lesson 14

SOCIAL RESPONSIBILITIES TO DIFFERENT SECTIONS

Responsibilities of the business to different sections of the society are –

Responsibility to Shareholders

The responsibility of a company to its shareholders, who are the owners, is indeed a primary one. The fact that the shareholders have taken a great risk in making investment in the business should be adequately recognized.

To protect the interests of the shareholders and employees, 'the primary business of a business is to stay in the business'. To safeguard the capital of the shareholders and to provide a reasonable dividend, the company has to strengthen and consolidate its position. Hence, it should develop and improve its business and build up its financial independence.

To provide dividend, the company should earn sufficient profits. Adequate reserves should be built up so that it will be able to declare a reasonable dividend during a lean period as well.

If a company fails to cope with changes in a changing and dynamic world, its position will be shaken, and the shareholders' interests will be affected. By innovation and growth, the company should consolidate and improve its position and help strengthen the share prices.

The shareholders are interested not only in the protection of their investment and the return on it but also in the image of the company. It shall, therefore, be the endeavor of the company to ensure that its public image is such that the shareholders can feel proud of their company.

The shareholders also have certain responsibilities which they have to discharge to protect their own interests. They shall not only offer whole-hearted support and co-operation in the positive efforts of the company but shall also guide and control properly its policies and activities. At the same time, they shall appreciate the responsibility of the business to other sections of society – to the workers, consumers and the community.

Responsibility to Employees

The success of an organization depends to a very large extent on the morale of the employees and their whole-hearted co-operation. Employee morale depends to a large

extent on the discharge of the company's responsibilities to them and the employer-employee relationship. The responsibilities of the organization to the workers include:

1. The payment of fair wages
2. The provision of the best possible working conditions
3. The establishment of fair work standards and norms
4. The provision of labor welfare facilities to the extent possible and desirable
5. Arrangements for proper training and education of the workers
6. Reasonable chances and proper system for accomplishment and promotion
7. Proper recognition, appreciation and encouragement of special skills and capabilities of the workers
8. The installation of an efficient grievance handling system
9. An opportunity for participating in managerial decisions to the extent desirable.

The Committee that conducted the social audit of Tata Iron and Steel Company (TISCO) observes that "not only should the company carry out its various obligations to the employees as well as the larger community as a matter of principle, but this has also led to a higher degree of efficiency in TISCO works and an unparalleled performance in industrial peace and considerable team spirit and discipline which have all resulted in high productivity and utilization of capacity". Thus, by discharging its responsibilities to the employees, the business advances its own interests.

It may, however, be pointed out that the expenditure on labour welfare, etc., should have relevance to the financial position of the company and the economic conditions of the nation. This aspect has to be particularly taken note of by public sector enterprises. Such expenditure shall not exceed the socially and economically warranted limits and shall not cause undue burden on the consumers or the general public. It shall not result in the formation of islands of affluence or comfort in the midst of poverty and suffering at the expense of society.

Responsibility to Consumers

According to Peter F Drucker, "there is only one valid definition of business purpose; to create a customer". Drucker observes: "The customer is the foundation of a business and keeps it in existence. He alone gives employment. To supply the wants and needs of a consumer, society entrusts wealth-producing resources to the business enterprise".

It has been widely recognized that customer satisfaction shall be the key to satisfying the organizational goals. Important responsibilities of the business to the customers are:

1. To improve the efficiency of the functioning of the business so as to (a) increase productivity and reduce prices, (b) improve quality (c) smoothen the distribution system to make goods easily available.
2. To do research and development, to improve quality and introduce better and new products.
3. To take appropriate steps to remove the imperfections in the distribution system, including black-marketing or profiteering by middlemen or anti-social elements.
4. To supply goods at reasonable prices even when there is a seller's market.
5. To provide the required after-sales services.
6. To ensure that the product supplied has no adverse effect on the consumer.
7. To provide sufficient information about the products, including their adverse effects, risks, and care to be taken while using the products.
8. To avoid misleading the customers by improper advertisements or otherwise.
9. To provide an opportunity for being heard and to redress genuine grievances.
10. To understand customer needs and to take necessary measures to satisfy the needs.

Despite the popularity of the *Marketing Concept* and the growing awareness of consumer rights, consumers all over the world are, by and large, dissatisfied. *Consumerism*, which is an organized endeavour of the consumers to *protect their rights*, is a manifestation of this fact. In shortage economics like India many businessmen pay scant attention to their responsibilities to consumers. To protect consumer rights and to make the business discharge its responsibilities to them, the consumers should give up their indifferent attitude and build up a strong consumer movement.

Responsibility to Government

Business responsibility towards the government covers areas complying with all legal requirements, paying taxes honestly, executing government contracts, making services of executives available for the government, deducting income-tax and amounts to be invested in national savings certificates from wages and salaries of employees and acting as a willing partner with the government in pursuit of public welfare.

In respect of responsibility to the government, businessmen have come under dark clouds. The series of raids conducted on business houses and the reasons made known for the raids demonstrate clearly that businessmen have failed to discharge their responsibility towards the government.

Responsibility to the Community

A business has a lot of responsibility to the community around its location and to the society at large. These responsibilities include:

1. Taking appropriate steps to prevent environmental pollution and to preserve the ecological balance
2. Rehabilitating the population displaced by the operation of the business, if any.
3. Assisting in the overall development of the locality.
4. Taking steps to conserve scarce resources and developing alternatives, wherever possible.
5. Improving the efficiency of the business operation.
6. Contributing to research and development.
7. Development of backward areas.
8. Promotion of ancillarization and small-scale industries.
9. Making possible contribution to furthering social causes like the promotion of education and population control.
10. Contributing to the national effort to build up a better society.

The Indian Situation

The Indian business sector presents a mixed picture as far as social responsibility is concerned.

Socio-political environment confronts that business is the growth of consumerism and the legislative measures to protect the consumers. Consumer movement had its conspicuous beginning and development in the United States. There has been a growth of consumer awareness in most countries leading to growth of consumerism and growing demand for consumer protection. Since 1993 The Consumer Education and Research Society(CERS), sponsored by the CERC, has been performing a very bold and commendable task of comparative testing of consumer goods at their in-house laboratory, and since 1998 its publication INSIGHT – The Consumer Magazine has been carrying our test results far and near. The media have been publishing the test findings. These tests results enable the consumers to evaluate and compare product of different companies.

Consumer movement is growing, albeit slowly, in India. It may gather momentum from the growing consumer awareness and the growing feeling that the consumer is ruthlessly exploited and taken for a ride. Many products fail to satisfy the quality requirements and many sellers do not favourably respond to the genuine grievances of consumers.

Many product tests conducted by some consumer organizations have brought to light alarming facts regarding product quality and safety and, they have, therefore, been very vehemently demanding governmental action ensuring quality standards. Consumers have been increasingly taking resort to redressal measures. In short, the business can no more take the consumer for granted.

This does not, however, mean that consumerism is necessarily a problem for the business. Consumerism is, in fact, regarded as an opportunity by consumer oriented businessmen.

Consumer Rights

Consumers in the advanced countries, are much more conscious of their rights than in countries like India.

Important consumer rights include:

1. Right against exploitation by unfair trade practices.
2. Right to protection of health and safety from the goods and services the consumers buy or are offered free.
3. Right to be informed of the quality and performance standards, ingredients of the product, operational requirements, freshness of the product, possible adverse side effects and other relevant facts concerning the product or service.
4. Right to be heard if there is any grievance or suggestions.
5. Right to get the genuine grievances redressed.
6. Right to choose the best from a variety of offers.
7. Right to physical environment that will protect and enhance the quality of life.

The Consumer Protection Act, 1986, has listed the consumer rights it seeks to protect in India.

Exploitation of Consumers

Consumers are, denied most of these rights. They are exploited by a large number of restrictive and unfair trade practices. A situation has developed in which the public have become victims of false claims for products blatantly advertised. Behavioural science is extensively applied to marketing to ruthlessly, exploit the consumers by stimulating the weak points and soft corners of their mind. Misleading, false or deceptive advertisements are common. Many a time the advertisement deliberately gives only half truth so as to give a different impression than is the actual fact.

Apart from the monopolistic and restrictive trade practices that have the effect of restricting competition and increasing the market imperfections to the common detriment, consumer exploitation through unfair trade practices that mislead or dupe the customers has become widespread. And it is this situation that has largely led to the growth of consumerism.

SELF CHECK QUESTIONS**LONG ANSWER TYPE QUESTIONS:**

1. Explain the impact of Social Environment on Business.
2. What do you mean by Social Responsibility of Business? What are the different sections of the society to which business is responsible?

SHORT ANSWER TYPE QUESTIONS:

1. Discuss the factors affecting social orientation.
2. Write an essay on consumer rights in India.

OBJECTIVE TYPE QUESTIONS:

1. Monetary policy of the central government relates to _____
(a) the cost and availability of credit (b) the cost and availability of goods
(c) the credit and availability of goods (d) the credit and availability of goods and costs
Ans: (a)

2. In India the prices of goods can be controlled by _____
(a) increasing the export by importing goods (b) decreasing the supply by importing goods
(c) Increasing the supply by exporting goods (d) increasing the supply by importing goods
Ans: (d)

3. When the prices of commodity is consciously set up by a cartel is relates to _____
(a) free play price (b) market forces price (c) administered price (d) dual price (e) none of these
Ans: (e)

Lesson 15

CONSUMER PROTECTION IN INDIA

Since long consumer has been exploited person particularly in India characterized by –

- A. Scarcity of goods
- B. Tariff protected economy
- C. Wide spread illiteracy
- D. Absence of strong consumer movement

Adulteration

- A. Use of fractional weights and measures
- B. Misleading advertising
- C. Poor quality of goods
- D. Spurious products etc.

These are the practices adopted by businessmen to exploit consumers.

Need for consumer protection

Due to wide spread exploitation of consumers, there is a need to protect consumers and to help them get value for their money, because-

- (i) Business is not an end in itself but a means for human welfare. Whatever is good for public is good for the business.
- (ii) The Government of India committed to a socialistic pattern of society. Exploitation of consumers is against the directive principles of the constitution.
- (iii) Profit making is not the sole but one of the goals of the business.
- (iv) The success and survival of business requires the co-operation and contribution from owners, consumers, employee, public and government.
- (v) Business has considerable power and influence over society.
- (vi) Special financial institutions and banks provide the bulk of capital required by business firms.
- (vii) According to Mahatma Gandhi all life is trust and those having wealth should use it for the benefit of the poor and down trodden.

Gandhi Ji said –

“A customer is the important visitor on our premises. He is not depending on us, we are depending on him. He is not an interruption in our work. He is the purpose of it. He is

not the outsider in our business. He is a part of it. We are not doing him a favor by serving him. He is doing us a favor by giving us an opportunity to do so”.

- (viii) The basic function of business is to anticipate and satisfy consumer needs and expectations.
- (ix) It is in the interest of business itself to protect consumers. After liberalization and globalization, competition has increased tremendously.

Objectives of Consumer Protection Act 1986

- A. Speedy Justice
- B. Inexpensive Justice

Measures for Consumer Protection

Measures can be adopted for the protection of consumers in different categories like –

- A. Voluntary measures – Consumerism
- B. Statutory measures - Law

Voluntary measures relate to education and awareness of consumers about their rights, increasing competition among sellers and organized action by consumers. A voluntary action is not sufficient for consumer protection.

Therefore Government of India has enacted legislation to protect consumers.

Rights of Consumer

- (i) **Right to safety** – to be protected against the marketing of goods hazardous to health or life.
- (ii) **Right to be informed** – to be protected against fraudulent, grossly misleading information, advertising, labeling and other practices and to be given the facts.
- (iii) **Right to choose** – to be assured possibility of access to a variety of products and services at competitive prices.
- (iv) **Right to be heard** – to be assured that consumer interests will receive full in the formulation of government policy.

Resources where consumerism gained momentum

- (a) Spread of education making people aware of their rights.
- (b) Rising incomes and increasing purchasing power of people.
- (c) Rise in prices and expectations of better quality.
- (d) Growing variety and complexity of products.

- (e) Legislation for consumer protection creating awareness among the consumers.

Consumerism

Consumerism is a social movement which seeks to increase the power and rights of buyers in relation to sellers. It is a movement which strives to protect the rights and powers of consumers of products and services.

Consumerism relates to the activities of voluntary organizations and other designed to protect the rights of consumers. It implies the organized effort of consumer seeking redress, restitution and remedy for dissatisfaction caused by policies and practices of business.

Consumerism as the dedication of activities of both public and private organization which are designed to protect individuals from practices those impinge upon their rights as consumers.

Approaches to consumerism

- (a) **Self Regulation** – Where business community itself ensures consumer protection and satisfaction through self discipline.
- (b) **Consumer Associations** – The Association of consumers ensure consumer protection and satisfaction, consumer associations can force businessmen to avoid malpractices of consumers.
- (c) **Alert Consumer** – Consumer himself necessarily be alert and active. He should not tolerate cheating and victimization. Self help is the best help.
- (d) **State support** – All the wings of the government legislature, judiciary and executive assist consumer movement.

Consumer Disputes Redressal Agencies

The Consumer Protection Act 1986 provides for a three-tier consumer disputes Redressal system encompassing the district, state and national levels. There are two levels of agencies in the State and one agency at the national level. In other words, the Act provides for the establishment of the following consumer disputes redressal agencies:

- (i) A District Forum in each district of every State if the State Government deems it fit, more than one District Forum may be established in a district.
- (ii) A State Commission in each State
- (iii) A National Commission

The National Commission was established by the Central Government in August 1988. The responsibility for the establishment of the other two agencies, with the prior approval of the Central Government, rests with the respective State Government.

The District Forum shall consist of (a) a person who is, or has been qualified to be a District Judge nominated by the State Government who shall be its President, (b) a person of eminence in the field of education, trade or commerce, and (c) a lady social worker.

Each State Commission shall consist of a person who is or has been a judge of a High Court, appointed by the State Government who shall be its President and two other members who shall be persons of ability, integrity and standing and have adequate knowledge or experience of or have shown capacity in dealing with problems relating to economics, law, commerce, accountancy, industry, public affairs or administration, one of whom shall be a woman.

The National Commission shall consist of a person who is or who has been a judge of the Supreme Court, appointed by the Central Government (who shall be its President) and two other members who shall be persons of ability, integrity and standing and have adequate knowledge or experience of or have shown capacity in dealing with problems relating to economics, law commerce, accountancy, industry, public affairs or administration, one of whom shall be a woman.

A complaint where the value of the goods or services and the compensation, if any, is less than rupees 25 lakhs is to be dealt with the District Forum; where such value exceeds rupees 25 lakhs but does not exceed rupees 1 crore it is to be dealt with the State Commission and cases involving more than rupees 1 crore fall within the jurisdiction of the National Commission.

The State Commission will also entertain appeals against the orders of any District Forum within the State. Appeals against the orders of the State Commission can be made to the National Commission. Appeals against the orders of the National Commission can be made to the Supreme Court.

The State Commission is empowered to call for the records and pass appropriate orders in any consumer dispute which is pending before or has been decided by any District Forum within the State, where it appears to the State Commission that such District Forum has exercised a jurisdiction not vested in it by law, or has failed to exercise a jurisdiction so vested or has acted in exercise of its jurisdiction illegally or with material irregularity. The National Commission has similar jurisdiction over the State Commissions.

Consumer Complaints

A complaint, in relation to any goods sold or delivered or any service provided may be filed with the redressal agency by –

- (a) the consumer to whom such goods are sold or delivered or such services provided;
- (b) any recognized consumer association, whether the aggrieved consumer is a member of such association or not;
- (c) one or more consumers, where there are numerous consumers having the same interest; or
- (d) The Central or State Government.

Remedial Action

If the Consumer Disputes Redressal Agency is satisfied that any of the allegations contained in the complaint is true, it shall issue an order to the opposite party directing him to take one or more of the following things, namely:

- (i) to remove the defect pointed out by the appropriate laboratory from the goods in question;
- (ii) to replace the goods with new goods of similar description which shall be free from all defects;
- (iii) to return to the complainant the price, or, as the case may be, the charges paid by the complainant;
- (iv) to pay such amount as may be awarded by it as compensation to the consumer for any loss or injury suffered by the consumer due to the negligence of the opposite party;
- (v) to remove the defects or deficiencies in the services in question;
- (vi) to discontinue the unfair/restrictive trade practice or not to repeat them;
- (vii) not to offer the hazardous goods for sale;
- (viii) to withdraw the hazardous goods from being offered for sale;
- (ix) to provide for adequate costs to parties.

Penalties

If a trader or person against whom a complaint is made or the complainant fails or omits to comply with any order made by the Redressal Agency, he shall be punishable with imprisonment for any term not exceeding three years or with fine not exceeding ten thousand rupees or with both.

District Forum can pass any orders if the defect or complaint is proved

- (1) to remove the defect
- (2) to replace the goods with new goods of similar description

- (3) to return the price to the complainant
- (4) to order payment of compensation to the consumer if he has suffered any loss

District Forum

Every member of District Forum holds office for a term of five years or up to the age of 65 years whichever is earlier and are not eligible for re-appointment

District forum jurisdiction entertains complaints where the value of goods or services and the compensation does not exceed Rs.25 lacs.

Any aggrieved person may prefer an appeal to the State Commission within a period of 30 days from the date of order made by the District forum

(B) State Commission

Every member of the State Commission holds office for a period of 5 years or up to the age of 67 years whichever is earlier and are eligible for re-appointment.

State Commission jurisdiction entertains complaints where the value of goods or services and compensation exceed Rs. 25 lacs but does not exceed Rs. 1 crore

Any aggrieved person may prefer an appeal to the National Commission within a period of 30 days from the date of the order made by State Commission.

Commission can entertain-

1. Complaints where the value of goods and services and compensation (if any) claimed exceeds rupees Rs. 25 lakhs but not more than Rs. 1 crore.
2. Appeals against the orders of any district forum within the state.

The National Commission can entertain-

- (1) Complaints where the value of goods or services and compensation (if any) claimed exceed Rs. 1 crore
- (2) Appeals against the order of any State Commission.

Every order of a District Forum, the State Commission or the National Commission shall be final if no appeal has been preferred against order.

Any complaint cannot be admitted by District Forum, the State Commission or the National Commission unless it is filed within 2 years from the date on which the cause of action has arisen.

Complaint can be submitted by consumer himself or herself or by buyer or hirer through voluntary Consumer Association

Individuals are not required to submit complaints to the forum, if the complaint is common for a particular product.

Complaints

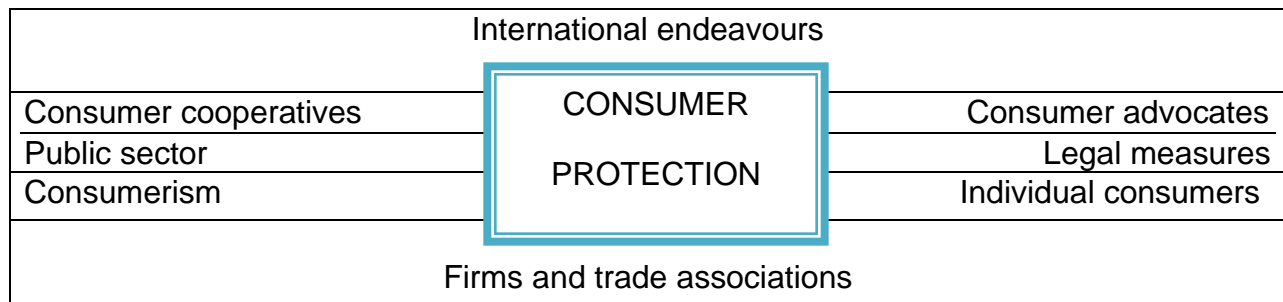
Consumer can submit the complaint to the forum in case of-

- (1) Defective goods (imperfect quality & quantity)
- (2) Defective Services

The act is not applicable if individual buys the goods for commercial purpose. Hospitals those are charging service fees are covered under this act but if government is providing free service then this act will not be applied.

International organizations like the United Nations and Consumers International have a keen interest in fostering consumer protection measures throughout the world. The UN at the persuasion of the Consumers International has issued a set of guidelines for consumer protection measures.

Factors of consumer protection

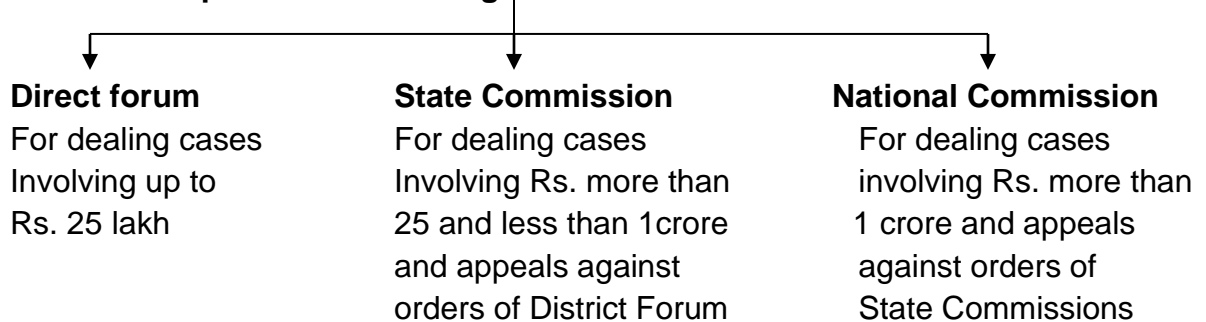


The most important legal measure to protect the consumer rights is the Consumer Protection Act, 1986. This Act provides for the establishment of a Central Consumer Protection Council by the Central Government and a State Consumer Protection Council in each State by the respective State Governments.

The objects of these Councils are to promote and protect the rights of the consumers such as: (a) the right to be protected against marketing of hazardous goods and services; (b) the right to be informed about the relevant factors about the goods and services so as to protect the consumer against unfair trade practices; (c) the right to reasonable choice; (d) the right to be heard; (e) the right to seek redressal of legitimate complaints; and (f) the right to consumer education.

If the Consumer Disputes Redressal Agency is satisfied that any of the allegations contained in a complaint made to it is true, it shall issue an order to the opposite party directing him to take one or more of the following things, namely: (i) to remove the defect from the goods in question; (ii) to replace the goods with new goods; (iii) to return to the complainant the price, or charges paid by him; (iv) to pay compensation to the consumer for any loss or injury suffered; (v) to remove the defects or deficiencies in the services in question; (vi) to discontinue the unfair/restrictive trade practice or not to repeat them; (vii) not to offer the hazardous goods for sale; (viii) to withdraw the hazardous goods from being offered for sale; (ix) to provide for adequate costs to parties.

Consumer Disputes Redressal Agencies under Consumer Protection Act



SELF CHECK QUESTIONS

LONG ANSWER TYPE QUESTIONS:

1. Explain briefly the steps which have been taken by the Government for the protection of consumers in India.
2. Discuss the main provisions of the Consumer Protection Act 1986 with special reference to recent changes.

SHORT ANSWER TYPE QUESTIONS:

1. Discuss the concept of consumerism.
2. Discuss the exploitation of consumer in India.

OBJECTIVE TYPE QUESTIONS:

1. In India, the price recommending expert body was replaced by _____
 (a) ISI commission (b) export commission (c) import commission
 (d) tariff commission (e) none of these
 Ans: (d)

2. The principal object of the administered price system in India is the _____
(a) protection of the interest of producers (b) protection of the interest of consumers
(c) protection of the interest of producers and consumers (d) none of these`
Ans: (c)

3. A factor which provide competitive advantage and consequently determines success is known as _____
(a) technology (b) creativity (c) innovation (d) invention (e) none of these
Ans: (c)

4. A technology which combines element of traditional technology with the element of modern technology is represent as _____
(a) appropriate technology (b) additional technology
(c) foreign technology (d) industrial technology (e) none of these
Ans: (a)