

CBSE Class 12 Business Studies
NCERT Solutions
Chapter 12
Consumer Protection

True/ False:

1. State whether the following are true or false.

- (i) Consumer protection has a moral justification for business.**
- (ii) In addition to rights, a consumer also has some responsibilities.**
- (iii) A complaint can to be made to a District Forum when the value of the goods or services in question, along with the compensation claimed exceeds Rs 20 lakhs.**
- (iv) The Consumer Protection Act provides for six consumer rights.**
- (v) ISI is the quality certification mark used in case of food products.**
- (vi) Under the Consumer Protection Act, a complaint can be filed by a consumer for a defective good and also for deficiency in service.**

Ans: (i) True, consumer protection has a moral justification for business. It is the moral duty of every business to protect the interests of its customers. Business organisations must follow ethical values and any form of exploitation of the consumers such as unfair trade practices, adulteration, etc. must be avoided.

(ii) True, in addition to rights, a consumer also has some responsibilities such as being aware of the availability of various goods and services; being informed of the price, weight, expiry date, etc. of the goods; asking for bills and cash memo while purchasing goods and services.

(iii) False, A District Forum offers for redressal of consumer grievances when the value of goods and services in question, along with the compensation claimed is less than Rs 20 lakhs. In case the value exceeds Rs 20 lakhs, a complaint can to be filed in the appropriate State Commission.

(iv) True, The Consumer Protection Act, 1986 provides for six consumer rights, namely
a) Right to Safety

- b) Right to be Informed
- c) Right to Choose
- d) Right to be Heard
- e) Right to seek Redressal
- f) Right to consumer Education

(v) False, ISI is the quality certification mark used in case of goods other than food products. For food products the quality certification mark is known as FPO.

(vi) True, The Consumer Protection Act, 1986 provides for protection of consumer interests against defective goods, deficiency in services and other such forms of exploitation.

Short Answer Type:

1. Explain the importance of consumer protection from the point of view of a business.

Ans: Businessmen cannot survive for a long time by ignoring the interest of consumer. They have to give due importance to consumer if they want to prosper in competitive market. Consumer protection provides following benefits to businessmen:

(i) Long-Term Interest: With increasing competition and the drive to survive in the market, consumer satisfaction and interest is of prime importance for any business. While taking due care of the interest of the consumers, a business builds goodwill and reputation. A satisfied customer not only comes back and results in repeated sales for the firm, but also pulls new customers by spreading the good word. Thus, it is in long-term benefit of the business to protect consumers' interest.

(ii) Use of Resources: A business uses the resources of society for the production of various goods and services. Through the sale of these goods and services to the society, a business earns profits. Thus, it is their duty to supply such goods and services that adhere to the overall interest of the society.

(iii) Ethical Reasoning: Today moral values and ethics play an important role in business. It is the moral duty of every business to protect the interests of its customers. They must follow ethical and moral values and avoid any form of exploitation of the consumers such as unfair trade practices, adulteration, etc.

(iv) Responsibility towards Society: As the business earns profits by selling various goods and services to consumers, it becomes their responsibility to take care of the interests and satisfaction of the consumers.

(v) Government Interference: If businessmen want to avoid intervention of government then they should not involve in unfair trade practices. Government intervention may spoil the image of business. Businessmen should voluntarily involve in the activities which protect the interest of the consumer.

(vi) Consumer is the purpose of business: The basic purpose of the business is to create more and more customers and retain them and businessmen can create more customers only by satisfying the customers.

2. Enumerate the various Acts passed by the Government of India which help in the protection of consumers' interests.

Ans: The following are some of the Acts passed by the Government of India for the protection of consumers' interests.

(i) The Consumer Protection Act, 1986: This Act provides for the protection of consumer interests against various forms of exploitation such as defective goods, deficiency in services, unfair trade practices, etc. Under the Act, a three-tier machinery comprising of District Forum, State Commissions and the National Commission, has been set up for the redressal of consumer grievances.

(ii) The Contract Act, 1982: This Act defines the conditions under which the promises in a contract are binding. In addition, the remedies available in case of breach of contract are also specified in the Act.

(iii) The Sale of Goods Act, 1930: The Act provides protection and relief to the consumers in case the goods purchased by them do not abide by the expressed or implied conditions and warranties.

(iv) The Agriculture Produce (Grading and Marking) Act, 1937: This Act defines grade standards for agricultural and livestock commodities. It provides the procedure for grading, packing and marking of agricultural products. The quality certification mark provided by the

Act is called as AGMARK.

(v) The Prevention of Food Adulteration Act, 1954: This Act is formed to check the adulteration in food items and to maintain their purity.

(vi) The Standards of Weights and Measures Act, 1976: This Act safeguards the interest of the consumers against exploitative practices related to under-weight and under-measure of the goods.

(vii) The Essential Commodities Act, 1955: This Act provides for control in production, supply and distribution of essential goods. It also controls inflationary trends and ensures equality in distribution of these goods. It also checks anti-social activities such as hoarding and black marketing.

(viii) The Trade Marks Act, 1999: This Act is formed to check the use of false marks on the goods and thereby, protects the consumers against such goods.

(ix) The Competition Act, 2002: This Act is formed to prevent such practices by the business firms that hinder competition in the market.

(x) The Bureau of Indian Standards Act, 1986: Under the Act, The Bureau of Indian Standards has been established that formulates the standards for the quality of the goods and based on these standards provides certification of quality through BIS certification scheme. The quality certification mark provided by the Act is called as ISI. In addition, a grievance cell has also been set up to redress complaints regarding the quality of the products.

3. What are the responsibilities of a consumer?

Ans: A consumer is also responsible for safeguarding his own interest and to protect himself from exploitation. The following are some of the responsibilities of a consumer.

1. Consumer must exercise his rights: Under consumer protection Act the consumer is granted various rights, but these rights will be useful only when consumer exercise these rights. The consumer must select the product according to his preferences, he must file a complaint if he is not satisfied with the quality of the product.

2. Cautious Consumer: The consumer should not blindly believe on the words of seller. He must insist on getting full information on the quality, quantity, utility, price etc. of the goods or services.

3. Looking for Quality Marks: A consumer must always look for the quality certification marks before the purchase of goods such as ISI in case of electrical goods, AGMARK in case of agricultural goods, etc.

4. Asking for Cash Memo: A consumer should always ask for cash memo or bills for the goods and services purchased. The bill acts a proof of purchase and can be used for future references.

5. Honest Transactions: A consumer must always choose legal dealings and discourage illegal trade practices such as black marketing and hoarding.

6. Ensure Safety: A consumer must carefully read the manuals and instructions provided by the manufacturer so as to ensure safe use of the product.

7. Filing Complaint: In case the product is found defective or any deficiency is found in the quality of the product, a complaint must be filed in the appropriate forum.

8. Consumer Societies: Consumer organisations and societies must be formed to work towards consumer education and awareness.

9. Environment Protection: The consumers must also work towards environment protection by avoiding wastes, pollution, etc.

4. Who can file a complaint in a consumer court?

Ans: For the redressal of the grievances of consumers, consumer courts and consumer forums have been established under the Consumer Protection Act. The following can file a complaint in a consumer court.

(i) Any consumer

(ii) Any registered consumer association or organization.

(iii) The Central and State Government

(iv) A consumer or a group of consumers on behalf of a number of consumers having same interest.

(v) A legal heir or a representative of the deceased consumer.

5. What kind of cases can be filed in a State Commission?

Ans: It consists of a president and two other members. The president must be retired or working judge of high court. The complaints of the goods worth more than Rs 20 lakhs and less than Rs 1 crore can be filed in state commission on receiving complain the state commission contacts the party against whom the complaints is filed.

6. Explain the role of consumer organisations and NGOs in protecting and promoting consumers' interests.

Ans: Consumer organisations and NGOs play an important role in protecting and promoting consumers' interests. Some of the important NGOs and consumer organisations include Consumer Coordination Council, Common Cause, Consumer Protection Council, Consumers' Association, Mumbai Grahak Panchayat, etc. The following are the functions performed by these organisations in regard of safeguarding the interest of the consumers.

1. Bringing out brochures, journals etc.
2. Spreading consumer awareness.
3. Collecting data of different products and testing them.
4. Arrange seminar, conferences for the purpose of focusing on the problems of consumers.
5. Filing suits or complaints on behalf of customers.
6. Educating the consumers to help themselves.
7. Running voluntary complaint counters for consumer guidance and counselling.
8. Educating women regarding consumerism.
9. Motivating people to ask for quality marks such as ISI mark, Agmark etc.

Long Answer Type:

1. Explain the rights and responsibilities of a consumer.

Ans: The Consumer Protection Act enlists six rights for a consumer. The following are the rights of a consumer.

(a) Right to Safety: Every consumer has the right to be safeguarded against those goods and services that are hazardous to life, health and property. For example, manufacturing defects in electrical appliances, cooking gas cylinders can be injurious. The consumer has the right to be protected against such products.

(b) Right to be Informed: According to this, the consumer has the right to be informed of the quality, quantity, price, ingredients, weight, etc. of the goods and services. In India, it is legally mandatory for the manufactures to provide all such information on the package and the label of the goods. This enables the consumer to make a wise choice.

(c) Right to Choose: A consumer has the right to choose from a variety of goods and services at competitive prices as per his wishes. That is, the consumer has the right to have access to a variety of products at fair and competitive price. Thus, the retailer or the supplier should offer a variety of products in terms of quality, brand, price, etc. They should not induce the consumers towards the purchase of a particular product or service.

(d) Right to be Heard: In case of any grievance or dissatisfaction, a consumer has the right to file a complaint. A consumer can file a legal complaint and seek redressal against any form of exploitation in appropriate forums established by the government. Nowadays, many consumer organisations and associations also work in this direction.

(e) Right to Seek Redressal: A consumer has the right to seek redressal and compensation in case of any exploitation. The Consumer Protection Act provides for compensation in the form of replacement of product, cash compensation, repair/removal of defects, etc.

(f) Right to Consumer Education: A consumer has the right to be educated and aware of his rights and the available remedies in case of exploitation. Many government and non-government organisation work actively in this regard.

In addition to the rights, a consumer has some responsibilities to safeguard himself from

exploitation. The following are some of the responsibilities of a consumer.

- (i) Awareness:** A consumer should be well aware of the availability of various goods and services. This enables him to make an informed and wise choice.
- (ii) Looking for Quality Marks:** A consumer must always look for the quality certification marks before the purchase of goods such as ISI in case of electrical goods, AGMARK in case of agricultural goods, etc.
- (iii) Asking for Cash Memo:** A consumer should always ask for cash memo or bills for the goods and services purchased. The bill acts a proof of purchase and can be used for future references in case of a complaint.
- (iv) Reading Labels:** Labels on goods provide information regarding price, weight, expiry date of the product. The consumer must read these labels carefully before purchasing the goods.
- (v) Honest Transactions:** A consumer must always choose legal dealings and discourage illegal trade practices such as black marketing and hoarding.
- (vi) Ensure Safety:** A consumer must carefully read the manuals and instructions provided by the manufacturer so as to ensure safe use of the product. For example, instructions provided on the electrical appliances must be carefully read before using them.
- (vii) Filing Complaint:** In case the product is found defective or any deficiency is found in the quality of the product, a complaint must be filed in the appropriate forum.
- (viii) Consumer Societies:** Consumer organisations and societies such as consumer Coordination Council, Common Cause, Karnataka Consumer Service Society, etc. must be formed to work towards consumer education and awareness.
- (ix) Environment Protection:** The consumers must also work towards environment protection by avoiding wastes, pollution control, etc.

2. What are the various ways in which the objective of consumer protection can be achieved? Explain the role of consumer organisations and NGOs in this regard.

Ans: Consumer protection refers to the making the consumers aware and educated about their rights and responsibilities and help them in seeking redressal for their grievances and complaints. Consumer protection is of prime importance for both consumers and business. The following are some of the ways in which the objective of consumer protection can be achieved.

(a) Self Administration by Business: The business firms should realise that it is in their long-term interest to protect the interest of their customers. They must increasingly work towards their satisfaction. They must realise that satisfied customers not only lead to repeated sales but also spread the good word about the company and thereby, pull new customers for the business. They must follow ethical values and avoid any form of exploitation of the consumers such as unfair trade practices, adulteration, etc. In this regard, nowadays many business firms have set up grievance cells and customer care centres to redress the complaints of their customers.

(b) Formation of Business Associations: In India, many business and commerce associations such as Federation of Indian Chambers of Commerce and industry (FICCI), Confederation of Indian Industries (CII) have been established that work towards consumer protection. They lay down guidelines for their members for the code of conduct for customer dealings.

(c) Consumer Education and Awareness: Consumer education and awareness is one of the important steps towards consumer protection. A consumer must be well aware and informed of his rights as defined under the Consumer Protection Act. He must also be aware of the reliefs available to him in case of any form of exploitation under the Act. In addition, he must also be educated about his responsibilities so as to safeguard himself against cheating and exploitation. A well-educated and informed consumer is able to make wise choices.

d) Formation of Consumer Associations and Organisations: An increasing number of consumer organisations and associations such as the Consumer Unity and Trust Society, Consumer guidance Society of India, Consumer Protection Council, etc. must be formed. These organisations work actively towards educating the customers and making them aware of their rights and responsibilities. In addition, they encourage consumers to protests against any form of exploitation or cheating and also assists them in taking legal actions and seeking

redressal.

(e) Role of Government: Government plays an important role in consumer protection by enacting various rules and legislation in this regard. The Government of India has passed various regulations and legislation to provide for consumer protection such as The Consumer Protection Act, The Contract Act, The Trade Marks Act, The Competition Act, etc. Of these, the most important being the Consumer Protection Act. Under the Act a three-tier machinery comprising of District Forum, State Commission and National Commission has been set up that work towards the redressal of consumer grievances and complaints.

Role of Consumer Organisations and NGOs in Consumer Protection: Nowadays, consumer organisations and NGOs play an important role in protecting and promoting consumers' interest. Some of the important NGOs and consumer organisations include Consumer Coordination Council, Common Cause, Consumer Protection Council, Consumers' Association, Mumbai Grahak Panchayat, etc. The following are some of the functions performed by these organisations in regard of consumer protection.

(i) Consumer Education: The NGOs and consumer organisations organise various training programmes and workshops to educate the consumer about their rights and responsibilities.

(ii) Publishing Journals: In addition to the training programmes and seminars, they also spread awareness through journals and periodicals. These journals and other publications provide knowledge about various consumer problems, legal remedies available and other such matters.

(iii) Legal Assistance: They also provide legal assistance and aid to the consumers and help them in seeking suitable redressal.

(iv) Encouraging Protest against Exploitation: They encourage the consumers to protest strongly against any form of exploitation and unfair trade practices.

(v) Assistance in Filing Complaints: They encourage the consumers to file complaints in appropriate forums and also file complaints on their behalf.

(vi) Taking Initiatives: They not only encourage the consumers to register complaints but also take initiatives themselves in filing cases in the general interest of the public.

(vii) Testing Quality of the Products: They carry out the quality tests for various products in laboratories and publish the results. Such results help the consumers in making informed choices.

3. Explain the redressal mechanism available to the consumers under the Consumer Protection Act.

Ans: Under the Consumer Protection Act, a three-tier machinery has been set for the redressal of consumer grievances and complaints. The machinery works at the District level, State level and National level and are known as District Consumer Dispute Redressal Forum (or District Forum), State Consumer Dispute Redressal Commission (State Commission) and National Consumer Dispute Redressal Commission (National Commission) respectively. The following is a brief explanation of the machinery under the Consumer Protection Act.

(a) District Forum: District forum consist of a president and two other members. The president can be retired or a working judge of district court. They are appointed by a state government. The complaints for goods or services worth 20 lakhs or less can be filed in this agency. The agency sends the goods for testing in laboratory if required and gives decisions on the basis of facts laboratory report. If the aggrieved party is not satisfied by the jurisdiction of the district forum then they can file an appeal against the judgement in state commission within 30 days but depositing 25000 or 50% of the penalty amount whichever is less.

(b) State Commission: The State Government sets up State Commission for the redressal of consumer grievances. Alike District Forum, State Commission also comprises of a President and two or more members one of whom should be a woman. In State Commission, a complaint can to be filed by a consumer in case the value of goods /services in question along with the compensation claimed is more than Rs 20 lakh but is less than Rs 1crore. After receiving the complaint, the commission refers the complaint to the party against whom the compliant is registered. If necessary, the sample of the good are sent for testing in the laboratory. After considering the tests of the reports and on hearing the concerned parties, the commission passes an order. An appeal can be filed against the order of the Commission before the National commission within 30 days of judgement.

(c) National Commission: The national commission consists of a president and four

members one of whom shall be a woman. They are appointed by central government. The complaint can be filed in National Commission if the value of goods exceed Rs1 crore. On receiving the complaint the National Commission informs the party against whom complaint is filed and sends the goods for testing if required and gives judgement. If aggrieved party is not satisfied with the judgement then they can file a complaint in Supreme Court within 30 days.

Available Reliefs: In case the concerned forum passes an order in favour of the aggrieved party, it can pass one or more of the following directions to the opposite party.

- i. Repair the defective goods or remove the deficiency in the service.
- ii. Replacement of the defective good with a new one.
- iii. Refund the price paid by the consumer for the good or the service.
- iv. Payment of compensation in cash for the loss or injury suffered.
- v. Payment of punitive damages.
- vi. Removal of misleading advertisement and issue of a correct advertisement.
- vii. Payment of an appropriate amount (not less than 5% of the good in question) to be credited to Consumer Welfare Fund.
- viii. Ceasing the manufacturing of hazardous goods.