

7th Social Science Lesson 21 Notes in English

21] Market And Consumer Protection

Introduction:

When we talk about a market we generally visualise a crowded place with a lot of shops and consumers. People are buying different types of goods like groceries, clothing, electronics, etc in the market.

And the shops are also selling a variety of products and services as well. So in a traditional sense, a market is where buyers and sellers meet to exchange their goods and services.

But what is a market in economics? In economics, we do not refer to a market as a physical place. Economists described a market as coming together of the buyers and sellers, i.e. an arrangement where buyers and sellers come in direct or indirect contact to sell/buy goods and services. For example, the market for books will constitute all the sellers and buyers of books in an economy. It does not necessarily refer to a geographic location.

A set up where two or more parties engaged in exchange of goods, services and information is called a market. Ideally a market is a place where two or more parties are involved in buying and selling. The two parties involved in a transaction are called seller and buyer. The seller sells goods and services to the buyer in exchange of money. There has to be more than one buyer and seller for the market to be competitive.

Features of a Market:

In economics, the term market refers to the shops for one commodity or a set of commodities. For example a market for rice, a market for cloth, a market for electronics goods, etc.



1. A market is also not restricted to one physical or geographical location. It covers a general wide area and the demand and supply forces of the region.
2. There must be a group of buyers and sellers of the commodity to constitute a market. And the relations between these sellers and buyers must be business relations.

3. Both the sellers and buyers must have access to knowledge about the market. There should be an awareness of the demand for products, consumer choices, and preferences, fashion trends, etc.
4. At any given time only one price can be prevalent in the market for the goods and services. This is only possible in the existence of perfect competition.

Classification of Markets:



Broadly there are two classifications of markets – the product market and the factor market. The factor market refers to the market for the buying and selling of factors of production like land, capital, labour, etc. The other classification of markets are as follows,

I. On the Basis of Geographic Location:

Local Markets:

In such a market the buyers and sellers are limited to the local region or area. They usually sell perishable goods of daily use since the transportation of such goods can be expensive.

Regional Markets:

These markets cover a wider area than local markets like a district, or a cluster of few smaller states.

National Market:

This is when the demand for the goods is limited to one specific country. Or the government may not allow the trade of such goods outside national boundaries.

International Market:

When the demand for the product is international and the goods are also traded internationally in bulk quantities, we call it as an international market.

II. On the Basis of Time:**Very Short Period Market:**

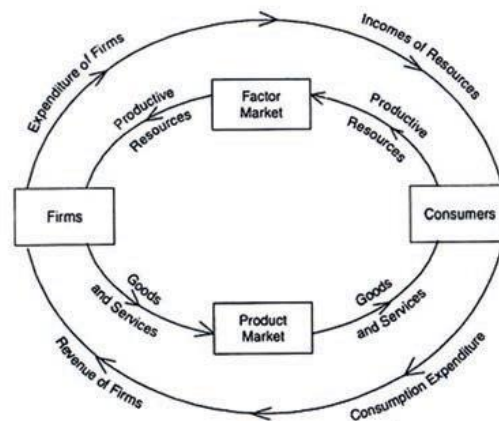
This is when the supply of the goods is fixed, and so it cannot be changed instantaneously. Say for example the market for flowers, vegetables. Fruits etc. The price of goods will depend on demand.

Short Period Market:

The market is slightly longer than the previous one. Here the supply can be slightly adjusted. Example:

Long Period Market:

Here the supply can be changed easily by scaling production. So it can change according to the demand of the market. So the market will determine its equilibrium price in time. Example:

III. On the Basis of Nature of Transaction:**Spot Market:**

This is where spot transactions occur, that is the money is paid immediately. There is no system of credit.

Future Market:

This is where the transactions are credit transactions. There is a promise to pay the consideration sometime in the future.

IV. On the Basis of Regulation:**Regulated Market:**

In such a market there is some oversight by appropriate government authorities. This is to ensure there are no unfair trade practices in the market. Such markets may refer to a product or even a group of products. For example, the stock market is a highly regulated market.

Unregulated Market:

This is an absolutely free market. There is no oversight or regulation, the market forces decide everything. Example:

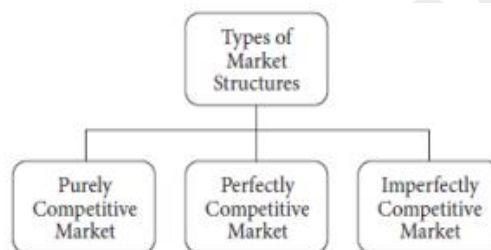
V. On the basis of nature of competition:

Figure-1: Types of Market Structures

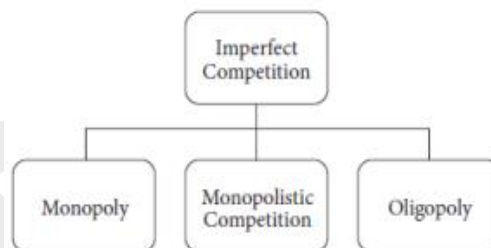


Figure-2: Types of Imperfect Competition

Monopoly:

Monopoly refers to a market structure in which there is a single producer or seller that has a control on the entire market. This single seller deals in the products that have no close substitutes.

Monopolistic Competition:

The term monopolistic competition was given by Prof Edward H. Chamberlin of Harvard University in 1933 in his book Theory of Monopolistic Competition. The term monopolistic competition represents the combination of monopoly and perfect competition. Monopolistic competition refers to a market situation in which there are a large number of buyers and sellers of products. However, the product of each seller is different in one aspect or the other.

**Oligopoly:**

The term oligopoly has been derived from two Greek words, Oligoi means few and poly means control. Therefore, oligopoly refers to a market form in which there are few sellers dealing either in homogenous or differentiated products.

Consumer:

A Consumer is a person who purchases a product or avails a service for a consideration, either for his personal use or to earn his livelihood by means of self employment.

The consideration may be:

- ✓ Paid
- ✓ Promised
- ✓ Partly paid and partly promised.

It also includes a beneficiary of such goods/services when such use is made with the approval of such person.

Not a Consumer:

A person is not a consumer if he/she:

- ✓ Purchases any goods or avails any service free of charge
- ✓ Purchases a good or hires a service for commercial purpose
- ✓ Avails any service under contract of service.

Unfair Trade Practice:

An “unfair trade practice” means a trade practice, which, for the purpose of promoting any sale, use or supply of any goods or services, adopts unfair method, or unfair or deceptive practice. Some of these practices include:

- False representation
- When goods and services are not of stated standard, quality or grade
- When second hand, renovated goods are sold as new ones
- When goods and services do not have the claimed use, usefulness or benefit
- When products / services do not have the claimed warranty / guarantee
- When the price of product or service is misleading.
- False and misleading advertisement of selling at bargain price.
- Offering gifts, prizes, etc. to lure customers with no intention of providing them.
- Selling goods which do not fall within the safety standards set up by competent authority.
- Hoardings or destroying goods with the intention of raising the cost of these or similar goods manufactured in greater number so as to manipulate higher prices.
- Manufacturing or offering spurious goods or adopting deceptive practices in the provision of services.

Consumer protection:

Consumer protection is a group of laws enacted to protect the rights of consumers, fair trade, competition and accurate information in the market place. The laws are designed to prevent the businesses that engage in unfair practices from gaining an advantage over competitors. They may also provide additional protection for those most vulnerable in society. Consumer protection laws are a form of government regulations that aim to protect the rights of consumers. For example, a government may require businesses to disclose detailed information about products—particularly in areas where safety or public health is an issue, such as food.



Consumer protection is linked to the ideas of consumer rights and to the formation of consumer organisations, which helps consumers make better choices in the marketplace and get help with consumer complaints. Other organisations that promote consumer protection include government organisations and self-regulating business organisations.

Example:

Telecom Regulatory Authority of India – TRAI. Insurance Regulatory and Development Authority of India – IRDAI.

The Consumer Protection Act, 1986 (COPRA):

This Act enacted in 1986 in the Parliament of India to protect the interests of consumers. It makes for the establishment of consumer councils and other authorities for the settlement of consumer's grievances and for matters connected there with it. The act was passed in Assembly in October 1986 and came into force on December 24, 1986.

COPRA is regarded as the 'Magna Carta' in the field of consumer protection for checking unfair trade practices, 'defects in goods' and 'deficiencies in services' as far as India is concerned. It has led to the establishment of a widespread network of consumer forums and appellate courts all over India. It has significantly impacted how businesses approach consumer complaints and has empowered consumers to a great extent.

Consumer Protection Councils are established at the national, state and district level to increase consumer awareness. To increase the awareness of consumers, there are many consumer organisations and NGOs that have been established.

Consumer Disputes Redressal Agencies:

National Consumer Disputes Redressal Commission (NCDRC):

Established by the Central Government. It deals with matters of more than 10 million.

State Consumer Disputes Redressal Commission (SCDR): Also known as the "State Commission" established by the State Government in the State. It is a state level court that takes up cases valuing less than ₹10 million.

District Consumer Disputes Redressal Forum (DCDRF):

Also known as the "District Forum" established by the State Government in each district of the State. The State Governments may establish more than one District Forum in a district. It is a district level court that deals with cases valuing up to ₹2 million.

Consumer protection Act of 2019:

Indian Parliament, in August 2019, passed the landmark Consumer Protection Bill, 2019 which aims to provide the timely and effective administration and settlement of consumer disputes in this Digital Age. The New Act will come into force on such date as the Central Government may so notify. The New Act seeks to replace more than 3 (three) decades old Consumer Protection Act, 1986 (Act).



Highlights of the New Act:

1. E-Commerce Transactions:

The New Act has widened the definition of 'consumer'. The definition now includes any person who buys any goods, whether through offline or online transactions, electronic means, teleshopping, direct selling or multi-level marketing.

2. Enhancement of Pecuniary Jurisdiction:

Revised pecuniary limits have been fixed under the New Act. Accordingly, the district forum can now entertain consumer complaints where the value of goods or services paid does not exceed INR 10,000,000 (Indian Rupees Ten Million). The State Commission can entertain disputes where such value exceeds INR 10,000,000 (Indian Rupees Ten Million) but does not exceed INR 100,000,000 (Indian Rupees One Hundred Million), and the National Commission can exercise jurisdiction where such value exceeds INR 100,000,000 (INR One Hundred Million).

3. E-Filing of complaints:

The New Act contains enabling provisions for consumers to file complaints electronically and for hearing and/or examining parties through video-conferencing.

4. Establishment of Central Consumer Protection Authority:

The New Act proposes the establishment of a regulatory authority known as the Central Consumer Protection Authority (CCPA), with wide powers of enforcement. The CCPA will have an investigation wing, headed by a Director-General, which may conduct inquiry or investigation into consumer law violations.

5. Unfair Trade Practices:

The New Act introduces a specific broad definition of Unfair Trade Practices, which also includes sharing of personal information given by the consumer in confidence, unless such disclosure is made in accordance with the provisions of any other law.

6. Penalties for Misleading Advertisement:

The CCPA may impose a penalty of up to INR 1,000,000 on a manufacturer or an endorser, for a false or misleading advertisement. The CCPA may also sentence them to imprisonment for up to two years for the same. In case of a subsequent offence, the fine may extend to INR 5,000,000 and imprisonment of up to five years. The CCPA can also prohibit the endorser of a misleading advertisement from endorsing that particular product or service for a period of up to one year. For every subsequent offence, the period of prohibition may extend to three years.



Consumer courts in India:

National Consumer Disputes Redressal Commission (NCDRC):

A national level court works for the whole country and deals compensation claimed exceeds rupees one core. The National Commission is the Apex body of Consumer Courts; it is also the highest appellate court in the hierarchy. The National Consumer Disputes redressal Commission (NCDRC), is a quasi-judicial commission in India which was set up in 1988 under the Consumer Protection Act of 1986. Its head office is in New Delhi. The commission is headed by a sitting or retired judge of the Supreme Court of India.

State Consumer Disputes Redressal Commission (SCDRC):

A state level court works at the state level with cases where compensation claimed is above 20 lakhs but up to one core. The State Commission also has the appellate jurisdiction over the District Forum.

District Consumer Disputes Redressal Forum (DCDRF):

A district level court works at the district level with cases where the compensation claimed is up to 20 lakhs.

Glossary:

1.	Commodities	Trade goods, supplies	வியாபாரப் பொருள்கள்
2.	Prevalent	Very common, frequent	எங்குமிருக்கும், வழக்கமான
3.	Cluster	A grouping of a number of similar things, bunch	தொகுப்புக் குழு, திரள்
4.	Instantaneously	Immediately, without hesitation	உடனடியாக, கணப்பொழுதில்

5.	Spurious	Invalid, fake	போலியான, பொய்யான
	Vulnerable	Attacked either physically or emotionally, helpless	பாதிக்கப்படக்கூடிய ஆபத்தான
6.	Redress	Compensate, remedy, rectify	குறை நிவர்த்தி குறை தீர்க்கும்
7.	Pecuniary	Relating to money, financial	பொருள் சார்ந்த பணவகையான

Do You Know?

"Goods once sold will not be taken back" or "No exchange", or "No refund under any circumstances". It amounts to Unfair Trade Practice and does not carry any legal weight.

The Eight Basic Consumer Rights:

1. The Right to Basic Needs.
2. The Right to Safety.
3. The Right to Information.
4. The Right to Choose.
5. The Right to Representation.
6. The Right to Redress.
7. The Right to Consumer Education.
8. The Right to a Healthy Environment.

Important Acts:

- ✓ The Consumer Protection Act, 1986
- ✓ The Legal Metrology Act, 2009
- ✓ The Bureau of Indian Standards Act, 1986
- ✓ The Essential Commodities Act, 1955
- ✓ The prevention of Black Marketing and maintenance of supplies of essential
- ✓ Commodities Act, 1980