

Consumer Dialogue

Volume II, Issue 3, May-June 2011

Bi-monthly GRANIRCA E-newsletter

Financial Inclusion Must to Maintain Growth Momentum

Technology and financial inclusion are the popular coinage in banking parleys in the country. While technological up gradation and mobile banking are catching up so fast, financial inclusion is tardy. The banking sector today faces a huge challenge of financial inclusion with the trillion dollar Indian economy racing ahead on a high growth curve.

Financial inclusion is a major agenda for the Reserve Bank of India (RBI). Without financial inclusion, banks cannot reach the un-banked. It is also a major step towards increasing savings and achieving balanced growth. Recently two conferences were held in Mumbai highlighting these issues; The Sixth Banking Tech Summit of Confederation of Indian Industry and another one organised by the Society for Worldwide Interbank Financial Telecommunication.

Of the 6.9 billion people on the planet, just 30 percent (2.1 billion) have bank accounts. The RBI is in the process of issuing additional banking licenses to private sector players, which will set the tone for a newer, vibrant and more efficient economy. Government is all set for a sound and resilient banking sector, well functioning financial markets, robust liquidity management along with payment and settlement infrastructure are seen as pre-requisites for financial stability.

Consolidation of banking services, consistently meeting the capital adequacy requirements, leveraging advanced technology, effectively managing human resources with a focus on pro-active leadership and re-skilling of human resources are some of the concern high on the agenda of the government.

There is a need to work towards bringing nearly 400 million citizens to the formal fold of the banking sector. It is not just about opening 'no frill' accounts. As of today, 75 million 'no frill' accounts have been opened but there are hardly any transactions in them. Banks need to work towards providing a full range of financial services and this would need a low cost, reliable, easy to use and secure technology backbone linking six lakh villages in the next four-five years".

In rural areas, where accessibility is a problem, banks are using the microfinance network and business correspondents and facilitators to bring more people under the ambit of banking services, said a report prepared for the CII's banking summit. Capitalising on the huge untapped potential in smaller towns and cities and rendering financial services to this segment of people poses a big challenge. Few banks have explored technology solutions to increase the scale of their microfinance portfolios, with the use of smart cards and core banking solutions.

(The Hindu, 28.06.11)

"Financial inclusion is a major challenge before the banking sector and financial system at large. At the same time, it offers huge opportunities for the national economy to grow at a rate of 9-9.5 percent during the 12th Five Year Plan," said Pranab Mukherjee, Finance Minister of India, while addressing a meeting of ASSOCHAM's National Banking Conclave entitled 'Challenges and Opportunities in a Trillion Dollar Economy'.

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(UNI, 17.06.11)



25 years
1983 2008
CUTS
International



Ministry of
Consumer Affairs,
Food & Public
Distribution
Government of India

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GRANIRCA Project Update

Public Interface Meetings-Phase I of 2011

About 24 Public Interface Meetings (PIMs) were conducted in all 12 project districts of Rajasthan during April-June 2011. The objectives of PIMs were to raise consumer awareness at the grassroots to build a strong consumer movement at the grassroots level in Rajasthan; share the existing appropriate mechanisms for exchange of information on measures of consumer protection; empower consumers to make informed choices and thereby protect their health and safety and get more value for money; obtain feedback from the people about the existing redressal mechanism condition, environment and accessibility; and bridge the gap between consumers and service providers/officials responsible for consumer protection.



Field Research

The second year research survey was completed and 200 questionnaires were received from 12 districts. The objective of conducting the perception survey was to gauge the level of awareness and determine the status of overall scenario of consumer protection in 12 districts of Rajasthan and the performance of concerned agencies/institutions responsible for consumer protection at district level.

Advocacy, Networking and Representation

Consumer International World Congress

George Cheriyan, Director, CUTS International represented CUTS in the 19th Consumers International World Congress and General Assembly held in Hong Kong, during May 03-06, 2011 on the theme 'Empowering Tomorrow's Consumers'.

Amendments in Consumer Protection Act, 1986

Deepak Saxena attended a workshop on 'Possible Amendments in Consumer Protection Act, 1986' organised by Consumer Association of India, Chennai and sponsored by Indian Institute of Public Administration, in Chennai on June 18-19, 2011.

Workshop on Non-PDS Consumer Items

Deepak Saxena, Amarjeet Singh and Dharmendra Chaturvedi attended a daylong orientation jointly organised by the Department of Food, Civil Supplies and Consumer Affairs of Government of Rajasthan and the newly constituted Food and Civil Supplies Corporation of Government of Rajasthan at Indira Gandhi Panchayati Raj Sansthan on June 13, 2011.

Monthly Feedback Meetings

Project team attended every third Thursday of each month meetings on April 21 and May 19 respectively organised by Department of Food, Civil Supplies and Consumer Affairs.

News from Districts

Partners of Kota and Sikar districts were also involved in raising awareness through their mediums such as *Asha Sahyogini* and *Aaganbadi Kendra* camps, printing posters, calendars and pamphlets at their own costs or through the support of local administration.

Ashish Tripathy, Acting Centre Head, CUTS Centre for Human Development, Chittorgarh which is one of the district partners under GRANIRCA has been able to redress his own complaint against State Bank of India by taking the dispute to Banking Ombudsman in Jaipur. Ashish had sought ATM PIN from the bank and as per the requirements, he personally visited the bank branch in Nehru Place, Jaipur with his PAN card and license as his valid id but bank insisted to bring bank account passbook, which he did not have at that time.

Ashish argued the matter with bank authorities that if that was necessary then why this was not communicated to him in writing in advance and also if it is written in bank's rules and regulations that passbook is must for collecting ATM passwords. When there was no satisfactory response from bank, Ashish took the matter to Ombudsman. The Ombudsman imposed a fine of ₹1000 to be paid as compensation to complainant, as he had to visit the bank twice to collect his ATM PIN but in vein, which caused unnecessary harassment and agony.



Developing Ration Shops into Model Outlets

The Rajasthan government has decided to develop fair price shops (FPS) operated under the Public Distribution System (PDS) as “branded shops” retailing commodities such as iodised salt, tea and soap for daily use at reasonable prices. An SMS alert service would also be introduced to make PDS more transparent and effective.

Minister of State for Food and Civil Supplies Babulal Nagar said that SMS alerts, using mobile phones as the medium, would provide information about the time and place of delivery of subsidised essential goods at ration shops. The system is at present operational in Udaipur district alone.

The commodities presently sold at subsidised prices at FPS are wheat flour, kerosene and sugar. Besides strengthening the supply chain to develop these outlets as branded shops, the range of goods will be expanded to accommodate other products of daily use.

Computerisation of District Supply Office will speed up and the department’s activities will be made online. The state government wants to develop ration shops as model outlets and stop the diversion through a robust tracking system.

(The Hindu, 07.06.11)

Food Adulterators to Face Life Sentence

The State Food and Civil Supplies Department has initiated a move to get relevant sections of the Indian Penal Code (IPC) amended so that persons found guilty of adulterating food items could be sent to life imprisonment.

At present, people accused of food or drink adulteration are booked under IPC Section 272 that entails punishment of either a term not exceeding six months or a fine up to ₹1,000 or both.

The State Legal Department has cleared department’s proposal to seek life imprisonment by amending the IPC so that traders, businessmen or any other people involved in food adulteration are effectively nailed down.

Early in 2011, Rajasthan Chief Minister Ashok Gehlot commented in public that food adulterators deserved death penalties. States like Uttar Pradesh and West Bengal have already got the necessary amendments to award life sentence for adulteration.

The Ashok Gehlot government has been carrying out regular campaigns and inspections to check food adulterations in the state. It introduced mobile laboratories in the districts to ensure that quality and purity norms prescribed for food items packaged or sold open were adhered to.

The department, meanwhile, has geared up to launch two more campaigns. This time seed, fertiliser and insecticides sellers and the traders in states fruit and vegetable markets (*mandi*) would be on the department’s radar.

As per the programme, the Food and Civil Supplies Department will coordinate with the agriculture counterpart to test the purity of seeds, fertilisers and insecticides/pesticides. It will then coordinate with the Weights and Measurements Department to check the weights and weighing machines used by *mandi* traders. The Food and Civil Supplies Department has also prepared an action plan to check adulteration of milk and its products in the state.

(Times News Network, 05.07.11)

Kingfisher Told to Compensate for Dirty Water

The consumer forum ordered a mineral water company to pay compensation to two south Mumbai residents, who found black particles in their packaged water served at a posh restaurant. The forum ordered Kingfisher Premium and Iceberg Foods Ltd (Water Division) to pay the complainants Jagjit Singh and Sunder Jawa, a total of ₹15,000 for causing mental agony and towards costs of the complainants.

The South Mumbai District Consumer Disputes Redressal Forum observed that even though the water was not sent for testing or even presented as material evidence in court, pictures of the bottle presented in the forum showed that it contained blackish particles. The forum directed the company to take strict measures in respect to quality control to avoid such incidents.

Singh and Jawa filed a complaint before the forum on April 11, 2007. Although the complainants included the restaurant as an opposite party, in April 2010, they sought action only against the mineral water company. Notices were issued to the company after the complaint was filed. As they did not appear before the forum, it passed an *ex parte* order against them.

Complainants presented a restaurant receipt that showed that they had written a complaint on it with regard to the contamination. The waiter of restaurant confirmed this. They also sent letters to the company, which assured them that the matter would be investigated.

The forum said it clearly established that the bottle had particles, which could have been harmful for human consumption. The forum held the company guilty for deficiency in service and observed that it had supplied defective goods.

(Times of India, 08.03.11)



Insurer As Consumer?

Interpretation on Section 2 (d)(ii) of COPRA on the definition of consumer buying goods or services for commercial purposes

One recurring point of dispute in COPRA has been the standing of the person, who makes the complaint. The Act allows only persons who buy goods or services for their own purpose to approach a consumer forum. The law was amended in 2002 to further clarify that those who buy goods or services for commercial purposes cannot move a consumer forum. By that criterion, insurance companies that are in the thick of commercial operations should not be able to move a consumer forum. However, there are circumstances, when they can stand in the shoes of a consumer. So far, the law was not clear on when it could be done.

Recently, a Constitution bench of the Supreme Court sorted out the right of insurance companies to move consumer forums in the *Economic Transport Organisation vs Charan Spinning Mills case*.

The Commission, relying on a Supreme Court judgment, held in the *Gujarat Themis Biocin Ltd vs Subhodh Gokhale* case that an employee is a consumer in respect of his rights against his employer if the provident fund contributions are not paid.

Similarly, in *Ranchi University vs Nuzmat Sultana case*, the Commission ruled that a student is a consumer *vis-à-vis* University and, therefore, non-publication of results of an examination for unreasonable time (10 years in this case) is deficiency in service. The reasoning was that the student had paid fees to the educational institution for its service and due to its negligence, she had lost academic years.

In the *Ritu Gram Udyog Samiti vs New India Assurance Co case*, the factory collapsed in a hailstorm, leading to a claim on the insurance company. The latter rejected the claim in the consumer forum arguing that the unit was not a consumer as it was run for commercial purposes. The Commission rejected this contention and clarified that an insurance policy was taken for covering risks and not for commercial purpose. The policy was for indemnification and actual loss, not intended to generate profit. Therefore, the industrial unit was a consumer in this case.

The position was reverse in the recent decision of the Constitution bench of the Supreme Court. The question was whether an insurance company could be a consumer in a dispute between a manufacturer and its transporter. Charan Spinning Mills, a manufacturer of cotton yarn, bought a policy from National Insurance Company for transit risks. Its consignment was entrusted to Economic Transport Organisation. The goods were totally damaged in an accident. On the basis of the surveyor's report, the insurance company settled the claim of the Mills. Then the Mills gave a power of attorney and subrogation to the insurance company to sue the carrier. When the insurance company moved the consumer forum, it was opposed by the carrier, which argued that the insurer could not claim the rights of a consumer.

Though an insurance company cannot be a consumer, it can get authority from the assured party to be its surrogate and claim damages from the negligent party. The fact that the assured person had received compensation from the insurance company in pursuance of the contract of insurance does not erase or reduce the liability of the wrongdoer responsible for the loss. In such cases, the insurance company first pays the loss to the affected party according to the surveyor's report and then gets a letter of authority from it to sue the negligent party. This kind of arrangement is common, and is recognised as subrogation in insurance law.

(taxguru.in, 05.03.11)

