

## Rural Consumers and Role of Local Bodies in Consumer Protection

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### Introduction

"*India's way is not Europe's. India is not Calcutta and Bombay. India lives in her seven hundred thousand villages*", said Mahatma Gandhi in 1926.

Still about 70 percent of India's population lives in rural areas. There are about 6,38,365 villages in the country as against about 300 cities and 5,161 towns. Of the 121 crore Indians, 83.3 crore live in rural areas while 37.7 crore stay in urban areas, as per the Census 2011. The National Council of Applied Economic Research (NCAER) survey report says that there are 720 million consumers across the villages in rural India. Hence, the development of the nation largely depends upon the development of the rural population. Majority of the rural population is dependent upon agriculture for their subsistence.

Community Development Programmes, Integrated Rural Development Programme, bringing local self-government to the roots of the village through introduction of *Panchayati Raj* system ushered a new era of rural development. Schemes for providing effective rural healthcare, guaranteeing 100 days of job, promoting literacy and adult education, expansion of rural industries are other development programmes that have received the thrust of the government's development approach. Islands of poverty still exist but most of rural India is transformed beyond imagination, as a result of a host of factors which has put unprecedented wealth into the hands of farmers across the country and turned rural India into a huge consumer market.

### Changing Face of Rural India

Over the past few years rural India has witnessed an increase in the purchasing power of consumers, accompanied by their desire to upgrade their standard of living. The steps taken by the Government of India to address the poverty have improved the condition of rural masses. As a result, rural consumers have upgraded their lifestyles through making changes in their consumption patterns by adding more nutritious food and are purchasing lifestyle products such as cosmetics, beverages, mobile phones etc., which have become necessities for them.

A number of schemes and programmes of the government have changed the rules of the marketing game in rural India. The flagship schemes of Government of India especially Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA) scheme, which has a budget of more than 40,000 crores have given the rural population an opportunity to meet their daily needs. With the initiation of various rural development programmes there have been an upsurge of employment opportunities for the rural poor. NREGS guarantees 100 days employment to a rural household and provides much needed bargaining power to battle the exploitation in the farming sector as a labourer. Also the increased demand for labour in the urban projects such as *Jawaharlal Nebru National Urban Renewal Mission* (JNNURM) has resulted in more money being sent back home by the

immigrant worker. *Bharat Nirman*, an Indian plan for creating basic rural infrastructure, is having a budget of Rs 58,000 crores for 2011-12. It is a step towards bridging the gap between rural and urban areas and improving the quality of lives of rural masses. It comprises projects on irrigation, roads (*Pradhan Mantri Gram Sadak Yojana*), housing (*Indira Awaas Yojana*), water supply, electrification and telecommunication connectivity.

According to a study on the impact of slowdown on rural markets commissioned by the Rural Marketing Association of India (RMAI) and conducted by MART (a New Delhi-based research organisation that offers rural solutions to the corporate world), the rural economy has not been impacted by the global economic slowdown that took place since 2008. The study reveals that rural incomes are on the rise, driven largely by continuous growth in agriculture for four consecutive years. A record harvest of 230 million tonnes of food grains in 2010 coupled with a 40 percent increase in the minimum support price of wheat and paddy over a two-year period has resulted in farmers' income rising sharply. The rural economy got a further boost with the farmer loan waiver of ₹71,600 crore. Today India's 56 percent of income, 64 percent of expenditure and 33 percent of savings come from rural India. The rural share of popular consumer goods and durables ranges from 30 to 60 percent.

### **Potential of Rural Market**

As per the Market information Survey of Households (MISH), study conducted by the NCAER – rural India is quietly transforming and growing and becoming different. Today the rural market offers a vast untapped potential. According to a McKinsey survey conducted in 2007, rural India would become bigger than the total consumer market in countries such as South Korea or Canada in another 20 years. Some simple facts to support this: Life Insurance Corporation of India (LIC) sold 55 percent of its policies in rural areas in 2010; 41 million *Kisan* credit cards have been issued as against 22 million credit-cum-debit cards in urban areas. With the growing market and purchasing power it is, therefore natural that rural markets form an important part of the total market of India. As rural markets dominate Indian marketing scene and they need special attention for the expansion of marketing activities. As per a Nielsen survey data, 40 percent of fairness creams for men are consumed in rural areas; the category has been growing at 40 percent for the past three years. Categories perceived to be urban-centric but where rural growth is outstripping urban include instant noodles, juices, sanitary napkins and milk foods.

### **A Silent Uprising**

According to a report by McKinsey & Company named 'The 'Bird of Gold: The Rise of India's Consumer Market', by 2025 India will triple its income level and will become the fifth largest consumer market, climbing from its current position at 12. A lot of this wealth will be created in the urban areas, but even the rural households will benefit. The real annual income for rural households will move from 2.8 percent in the past two decades to 3.6 percent in the next two. Rural markets are growing at double the pace of urban markets and for many product categories, rural markets account for well over 60 percent of the national demand. Companies are realising slowly but surely that the key to gain true market leadership lies in tapping the rural potential.

With urban markets getting saturated, most companies are looking at huge potential in rural markets. Major corporations have seen great success with innovative strategies such as smaller packaging (Fast Moving Consumer Group – FMCG companies have creams and soaps priced at ₹5, hair oil and shampoo sachets at ₹1 and small Coke at ₹5) customised development and positioning and a

good distribution network. The rural India success story is being replicated across a range of sectors in the rural markets.

Presently, the rural market accounts for a hefty share in most market segments – 70 percent of toilet soaps, 50 percent of TV, fans, bicycles, tea and wrist watches, washing soap, blades, salt, tooth powder and 38 percent of all two-wheelers purchased. Rural India consumers hold a major share in many categories. Rural India buys 46 percent of all soft drinks, 49 percent of motorcycles and 59 percent of cigarettes and almost 11 percent of rural women use lipstick. This was found in a survey by MART. Car sales in rural India have been on the increase in last three years since the government announced various schemes such as farm loan waiver etc., for the rural population. According to report entitled 'India Retail Report 2009' by Images FR Research, India's rural market offer a sea of opportunity for the retail sector. Presently, India is globally the fifth largest life insurance market in the emerging insurance economies. 78 percent households in rural India are having awareness about life insurance and 24 percent are policy owners.

The Indian pharmaceuticals market is regarded as one of the fastest growing in the world. According to a report by McKinsey, entitled 'Indian Pharma 2015', the rural and tier-2 pharma market will account for almost half of the growth till 2015. According to the Ministry of Communications and Information Technology, India is having more than 826.93 million mobile phones and 35.55 million landlines in April 2011, which is about 70.23 percent. Out of this about 40 percent are from rural areas, and by 2012, rural users will account for over 60 percent of the total telecom subscriber base in India.

### **Absence of Redressal Mechanism in Rural Areas**

When the rural market grows in such a rapid pace, the quantum of consumer grievances also increase simultaneously. The main problems faced by rural consumers are related to adulteration, short weighing and measuring, lack of safety and quality in appliances and equipment, unfair warranties and guarantees, imitation and sales gimmick, unreasonable pricing etc. The Indian Consumer Protection Act (CoPRA), 1986 ensure better protection of rights and interest of people who are consumers in one way or the other from the exploitation of trade and industries. According to the Act, anyone who buys goods and services for his/her use is a consumer. A user of such goods and services with the permission of the buyer is also a consumer. The Department of Consumer Affairs of the Government of India and various state governments have undertaken a number of innovative measures to protect rights of rural consumers.

Consumer disputes redressal mechanism (popularly known as consumer forums) are set up under the Act at district, state and national level to provide simple and inexpensive quick redressal against consumer complaints. A consumer can file complaint in the consumer court against any defective goods purchased or deficient service rendered including restrictive/unfair trade practice adopted by any trader/person. The Consumer Forum has power to order removal /replacement of defects/ deficiencies in goods and services, refund of price paid, compensation for loss/injury suffered, discontinuation of unfair/restrictive trade practice, withdrawal of hazardous or unsafe goods or award of adequate cost to the parties etc.

However, the three-tier consumer forums, set up under the Act are in urban areas. This makes it difficult for rural consumers to approach the forum. Moreover, though the forum have been set up as special courts, the non-extension of their benches in rural areas makes accessibility a big problem

and leading to poor public participation. A web-based system for lodging and monitoring of complaints is also in place. However, only 6.9 percent of the Indian population are internet users. Hence unfortunately very few have availed this excellent mechanism due to lack of awareness and accessibility, particularly amongst rural and semi-urban populations.

While experts and consumer activists believe that redressal platforms can forge consumer activism in rural areas, the government is undecided about setting up such a mechanism below the district level. The Department of Consumer Affairs has been organising consumer rights' awareness events in all *talukas*. As of now, there are no plans to extend the sittings of the *lok adalats* to villages or to set up redressal platforms there. Experts attribute the lack of participation by the rural population in consumer fora to the failure of the government to form protection councils as per the Act, at the state and district levels, to promote and protect consumer rights. The absence of laboratories at district level to test disputed products further makes the process delayed. In this context, the local administrative bodies in the county can play an important role in protecting the rural consumers.

### **Functions and Importance of Local Bodies (LBs)**

*Panchayati Raj* system is a three-tier system in the state with elected bodies at the Village, *Taluk* and District levels. It is a constructional mechanism spread across the country. It ensures greater participation of people and more effective implementation of rural development programmes. There will be a *Gram Panchayat* for a village or group of villages, *Panchayat Samiti* (or Block *Panchayat*) at *Taluk*/Block level and the *Zila Panchayat* (or *Zila Parishad*) at the district level. India has a history of *Panchayati Raj* starting from self-sufficient and self-governing village communities that survived the rise and fall of empires in the past to the modern legalised institutions of governance at the third tier provided with Constitutional support.

The Constitutional (73<sup>rd</sup> Amendment) Act, passed in 1992 by the Central government, came into force on April 24, 1993. It was meant to provide constitutional sanction to establish "democracy at the grassroots as it is at the state level or national level". At present, there are about 3 million elected representatives at all levels of the *panchayat* one-third of which are women. These members represent more than 2.4 lakh *Gram Panchayats*, about 6,000 intermediate level tiers and more than 500 district *panchayats*. Already the Constitution is amended to make the representation of women 50 percent. Spread over the length and breadth of the country, the new *panchayats* cover about 96 percent of India's more than 6.4 lakh villages and nearly 99.6 percent of rural population. This is the largest experiment in decentralisation of governance in the history of humanity.

### **Consumer Protection and Role of Local Bodies**

Like in many other countries, consumer movement in India as a social force originated with the necessity of protecting and promoting the interest of consumers' against fraudulent, unethical and unfair trade practices. The movement initially reflected a common perception, which characterised traders and manufacturers as people who were out to maximise profits by means of fair or foul with scant regard for consumers' well-being. Selective shopping could be the only form of consumer resistance at the early stages, the basic tenet governing the legal position of consumers being 'buyers beware'. The movement gained a momentum after enactment of CoPRA in 1986. Over time the movement found expression in efforts to bring pressure on business firms as well as government to correct business conduct that may be unfair and against the interest of consumers at large. The movement, which has been confined to the middle class citizens in urban centres by large, is now

having a presence in the rural areas as well. But it has to spread and strengthened further among the masses in rural and semi-urban areas.

The fact is that majority of consumers in the country are even unaware of the existence of consumer forums to which they can make their grievances. A CAG-commissioned survey finding on the status of the CoPRA (1986) conducted in 2006, in connection with 20 years of CoPRA says, 82 percent of the consumers are not aware of the CoPRA and 66 percent of their rights. The ground reality is that the conditions are not very favourable and conducive for the consumer. He is being exploited and cheated day in and day out. Ignorance is one of the prominent factors contributing in the exploitation of the consumers and is most prevalent amongst the rural masses. The *Gram Panchayats* are there in all the villages, which is the available constitutional mechanism across the country spread in all 627 districts. It is only through this constitutional mechanism that the consumer movement can get a boost and consumer awareness can be spread among rural masses.

Hence, there is an urgent need to take initiatives by the Central and State Department of Consumer Affairs to involve and make use of *Panchayati Raj* Institutions (PRIs) in various programmes related to consumer awareness. In addition publicity/awareness materials on consumer protection need to be brought out in regional languages and distributed among the elected representatives of PRIs. *Gram Sabha* is the best forum to educate the rural masses about their rights as consumers as well as the techniques to redress their grievances, which are attended by almost every villager. On occasions like December 24, which is the National Consumer Day, meetings of the *Gram Sabha* need to be convened, where the villagers could properly be educated about their rights as consumers.

Necessary amendments has to be made to set up consumer protection councils at Block and *Gram panchayat* as well and to make the PRIs integral part of the councils at all the three levels. In addition, the concerned departments mandated to deal with issues related to consumer protection need to be transferred to the PRIs and PRIs to be given the responsibility to coordinate the functioning of these departments.

The *Gram Panchayat* could play a significant role in creating awareness at the grassroots level. Appropriate technology and creative media could be used to raise awareness. The relevant resource materials in regional languages could be made available in hard copies as well as in soft copies through internet. The *gram panchayats* also can consider using media such as documentary films, street plays, competitions etc. to spread consumer awareness. The services of government primary school teachers could be utilised in conducting consumer awareness programmes.

‘Complaints Handling, Information and Advisory Services’ (CHIAS) cell could be opened in each of the *Gram Panchayat* offices. CHIAS can act as an advice giving and complaints handling mechanism between the common consumer and the district consumer fora. This will help in speedy resolution of the complaints without taking it to the consumer forums as well as substantially reduce the burden of district forums. Selected representatives from each of the *gram panchayats* can be identified and trained to handle these cells. Issues at local level affecting the consumers can be discussed and disposed of in these CHIAS cell instead of taking each complaint to the district forum. Similar mechanism could be established at *Taluka* (Block) level as well. A selected group consisting of *Gram Sevak*, *Sarpanch*, PRI members, teachers, youth, office bearers of self-help groups (SHGs) etc. can be trained as ‘barefoot consumer activists’ to assist the rural population to complaint resolution at the pre-litigation stage. Personal consumer advice could also be provided not only for legal problems, but

also for every day consumer problems. Required budgetary allocations have to be made to PRIs for consumer awareness, capacity building as well as for supporting the functioning of CHIAS.

Ministry of *Panchayati Raj*, Government of India is in the process of establishing *Bharat Nirman Rajiv Gandhi Seva Kendras* (RGSK) at Block and *Panchayat* headquarters respectively in each of the states to bring about convergence of techniques, resources and manpower. This RGSK could well support the functioning of CHIAS cell. In addition Ministry of Information technology is in the process of connecting every *panchayat* in the country through internet. By 2012, every *panchayat* will have an internet equipped service center, to ensure rural access to various online services. This can provide further boost to CHIAS.

### **The Way Forward**

Taking into consideration the changing face of rural India and the fast growing rural market, in future Indian consumer movement and government mechanisms need to focus in the rural areas. Mahatma Gandhi said, “*A consumer is the most important visitor on our premises. He is not dependent on us, we are on him. He is not an interruption to our work; he is the purpose of it. We are not doing a favour to a consumer by giving him an opportunity. He is doing us a favour by giving us opportunity to serve him*’. Keeping these words in mind, there is an urgent need to address the concerns of the rural consumers and the only way forward is to involve the available constitutional mechanism of PRIs.

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