

New Beginnings in a Venerable Country: The Indian Institute of Consumer Studies

Unconscionable abuses threaten the consumer in the Indian marketplace. The arrival of globalization provides opportunities but it also brings new threats from sophisticated sellers of products that are completely inappropriate. India faces two monumental tasks (a) creating the institutions for fair exchanges, and (b) providing consumer education to individuals who have long been powerless. The Indian Institute of Consumer Studies will provide new impetus in this struggle.

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Introduction: Big Problems in a Big Country

India has 970 million citizens, including some 300 million of the most vulnerable consumers in the world. The arrival of globalization has added a new set of challenges to markets already seriously lacking a framework for fair exchanges. To get a fair framework for markets, Indians are in urgent need of a counterbalancing force to offset the pressures from dangerous products, unscrupulous sellers, protected monopolies, and poorly motivated or rude public servants. Change must occur against the powerful efforts of self-interested lobbyists attempting to create rules they like. Where can one find the missing consumer expertise? This presentation proposes one promising response to the question. For perspective, consider some of the problems in urgent need of attention.

Lack of Basic Consumer Rights

Access to the fundamental consumer rights is difficult for wealthy consumers in India. For many others, access is impossible. The right to safety is under insurmountable stress in any country that cannot supply the essential public services to guarantee clean water, basic transportation, effective health protection and other crucial components of life. What is the right to choice when there is no sewerage system or if electricity is not available? For illiterate consumers, what is the meaning of the right to information or the right to consumer education? What is the right to redress for consumers without any of the institutions for fair market exchange?

Problems With Food Purity

For centuries most food has been produced close to home. The spread of the market has brought efficiencies but it has also brought a discouraging number of scam artists attempting to make a fast rupee. Many producing and selling practices are absolutely unconscionable. For example, far too often we find that food has been adulterated. By the best estimates possible, it has been calculated that about 25% of the food passing through Indian marketplaces has been adulterated. India now has a sophisticated system of firms supplying adulterants. One is an industry set up to produce stone chips which are perfect replicas of rice so that stones can be added to increase the weight. Wood chips can be purchased as accurate adulterants for wheat (Mandana, 1977; 1982).

Pharmaceutical Failures

There are two very different and very serious problems with pharmaceuticals in India. The first is that internationally produced pharmaceuticals are far too expensive for persons of average income. India has been a target for the U.S. under section 301 of the 1998 Omnibus Trade Bill. Part of this was the effort of some U.S. firms to make sure that the national industry in India discontinued to production of drugs whose patents had not run out in the United States. One result was a sharp increase in price which put most pharmaceuticals even farther beyond the reach of the average consumer in India. High prices are formidable barriers to health.

The second problem is the theft of active drug ingredients. In a few spectacular cases we learned to our horror of a novel type of corruption involving the replacement of a drug with a placebo so that the active ingredient could be sold on the black market. This scandalous behavior has received the attention it deserves in India. However, the resources available to the public sector for a drug inspectorate are too limited to ensure health protection.

Appropriate Products

The arrival of ever more novel consumer products makes one ask: What is so great about globalization? The economic drive to sell questionable products to an ever expanding marketplace has led to an outpouring of differentiated products bearing little connection to the consumer's needs. The marketing savvy unleashed on unsuspecting consumers threatens the standard of living. One frightening example comes from the big pharmaceutical firms. The marketplace in India offered 44 brands of (non-steroidal) anti-inflammatory products. No fewer than twenty of these were **banned, restricted, or not approved** in industrial countries with drug testing labs (Kerton, 1990: 27).

Consider the example of neem sticks. The wood from the neem tree has a myriad of uses, one of which is as a type of tooth pick which has been used for centuries to clean the teeth (Mandana, 1982). Neem sticks are highly successful for oral hygiene. There is a plausible claim that the neem stick is superior to toothpaste, and especially so for creating healthy gums. Indians used to have all their teeth at time of death; this is no longer so. For five decades, Indian consumers have been bombarded with propaganda designed to get people to switch to toothpaste. Procter & Gamble and Lever Brothers are only doing what one expects: selling their product. Sophisticated selling techniques are skillfully deployed to convince Indians that the modern scientific method needs the marketed product. But is toothpaste really superior? Probably it is not, even at half its current price.

Is there great virtue in switching consumers from traditional juices to colas? From breast milk to marketed substitutes? From local skin care to western cosmetics? Is it right that the cigarette market in India must expand to compensate multinational companies for loss of markets in countries now enforcing laws on selling tactics?

The Core Constraint: Consumer Apathy

Experience has left most Indians with a sense of helplessness. There is a sense of powerlessness justified since childhood by almost every market and nonmarket transaction. Consumer training is necessary to encourage people to speak out when circumstances beg for correction. It is quite a challenge. Yet it is also the reason for a measure of optimism. Many will be familiar with the book by Albert Hirschman entitled: *Exit, Voice, and Loyalty* (1970). In a market, a dissatisfied consumer can \cong exit by leaving a brand or product (by refusing to repurchase the unsatisfactory item). A \cong voice (acting or speaking out) is a more powerful tool. Voice is the basis of Hirschman's thesis that institutions can be changed by challenges from citizens. He argues that institutions change in response to complaints or to other social action. So long as people suffer in silence, harm and the related agony will continue. The duties are onerous. However we already know some of the ways to achieve success - even with the most downtrodden of consumers.

The Good News: A Path to Solutions

The Karnataka Consumer Service Society (KCSS), one of the earliest consumer action groups in India, was founded in 1970 to address immediate consumer problems in the state of Karnataka. Several different types of consumer organizations are active in India any many have important successes to their credit (Singh, 1997: 312-16). Responsive and responsible consumers help improve the quality of services in the market economy. An active consumer movement thus helps promote the optimal use of resources and products. This assists quality changes that build a sound reputation for the country's goods and services in the international marketplace. Many of India's top political leaders have recognized the essential role of consumers in the economy. More than fifteen years ago, Indira Gandhi demonstrated a strong interest in consumer rights - in fact she personally promised a national Indian Institute for Consumer Studies and provided the land.

The good news is that the **Indian Institute for Consumer Studies (IICS)** has been created and is now operating. At the moment, it is in temporary quarters. In May of 1998 a new building is under construction as a permanent home for the Institute's programs (Indian Institute for Consumer Studies, 1998). The IICS is located in Bangalore, a city of eleven million people in central south India.

The Indian Institute for Consumer Studies (IICS)

The main objectives of IICS are to provide (a) training, and, (b) research facilities for all aspects of consumer-related activities. Trainees are engaged in a wide range of programs ranging from consumer education in schools to practical training for adults. Standards and testing methods will be developed and instructed. In

addition, one of the most important activities is the program to campaign for issues including the right to information.

One of the fundamental tasks for a new national Consumer Research Institute is to bring people into small seminars in groups of thirty or so to teach them how to speak out. It is a huge challenge to convince the downtrodden that their action can make a difference. One successful tactic uses familiar - often outrageous - examples from daily life. Important changes have resulted from the action on one or two individuals upset about cheating or about repugnant sales practices. Through the use of examples based on local experience we have had visible success in *very* few days of instruction and participation. Often lessons are conducted as street theater.

Who are the participants? Trainees are from consumer organizations, government agencies, business enterprises proposing to develop in-house consumer services, panchayat members (village councillors), women's groups, school teachers, community leaders interested in organizing buyers' clubs, and selected participants from the poor in the larger cities. Key training initiatives have begun even before the first phase of the building is ready. One program brings thirty people from a mohalla (neighborhood) to the existing center for consumer education. In another current program, three people (identified as leaders) from each slum are brought to the Institute for training on community action. Trained Agraduates carry the message their own neighborhoods.

Working with the Public Sector

A basic infrastructure is urgently needed. In Bangalore alone there are 470 designated slums, each with an average of 8,000 persons for a total of about four million slum dwellers in an urban population of some eleven millions. Each slum has the right to free water and free electricity. In practice the public system has failed under the impossible burden. Among other things there is no provision at all for a sewerage system. In a single slum in Pillanna Garden, an experimental effort recently provided each dwelling with a hygienic toilet, and pipes to a covered sewage pit in the neighborhood. The experiment is a stunning success: human waste is no longer in the streets and passageways. In addition, families gained a gas supply from the biomass. The visibly cleaner environment is a source of pride. All this was achieved for \$12,000, 75% from a donation by a Rotary Club and 25% from the users themselves. The demand from other slums to repeat the success is overwhelming.

While the private sector has been particularly imaginative in inventing novel ways to abuse consumers, many of the most serious afflictions are administered by suppliers from the public sector - and this is a sector which is quite large in India. The reputation of the IICS as a source of expertise has led to a series of requests for training.

- One example is provided by the bus drivers, long noted for rudeness and the capricious provision of service to customers desperate for transportation. The Karnataka State Road Transportation (KSRT) has contracted with the IICS to train 600 bus operators (out of 25,000 drivers). The KSRT will pay tuition of 600 rupees per trainee.
- The auto rickshaw drivers (who serve the middle class) have a reputation for rudeness. They sometimes refuse to go to reasonable destinations. All too often, passengers are subjected to robberies. Their association has called to seek training.
- The workers who read electricity meters are high-handed, often inventing a reading rather than inspecting the meter. In 1998 there is a request from the Federation of Karnataka's Chamber of Commerce and Industry to have the Institute of Consumer Studies train meter readers in the principles of fair trading.

Consumer Courts

The greatest achievement of the Indian consumers' movement is that in 1986, some 42 years after independence, a new Consumer Protection Act (called COPRA) was passed. Before COPRA there were 38 separate acts which guaranteed consumer protection. Redress was generally unavailable, though perhaps a few wealthy persons could succeed through the civil courts. The old procedures were time-consuming and expensive. The key change is a separate set of consumer courts set up under the Consumer Protection Act of 1986.

What does COPRA cover? Almost everything except, perhaps, medical care (Singh, 1997). The law addresses most rampant consumer abuses, including those of governmental bodies such as the railways, the Post Office, the water utilities as well as health and other public services.

To succeed, COPRA uses two strategies. First, it eliminates the requirement for legal representation. The intention is that any reasonably intelligent person can argue his or her own case in the consumer court, and with a little help from other consumers, this has usually turned out to be true. Second, it removes the congestion delays and the legal procrastinations so evident in the regular courts. Success is uneven but still evident. It helped that many of the judges shared the outrage of the consumer who had been wronged. And consumers are not the only ones who gain. The balance shifted from favoring sellers of shoddy, defective or adulterated products to sellers who

deliver an honest product for an honest price. Consumer organizations have the right to intervene on behalf of individuals. Even so, consumer groups are mostly urban in a country that is mostly rural: there are frequent complaints about the distance that consumers have to travel to courts.

Education on Consumer Issues. Public Campaigns

India needs campaigns for clean drinking water, for transportation improvements, for other basic needs and for an understanding of how a market works. One clear example of a crucial campaign the IICS must mount concerns tobacco. Consider the massive advertising expenditures now being devoted to getting young people in India to smoke. The multinational tobacco companies are facing opposition on health grounds in developed countries so they are seeking to replace lost profits by pushing this completely inappropriate product in developing countries. This is a travesty of what the liberalized market system is supposed to offer. When South Korea opened its market in 1988 to sophisticated foreign sellers, smoking rates among male Korean teens rose from 18.4 percent to 29.8 percent in a single year. The smoking rate among female teens more than quintupled, from 1.6 percent to 8.7 percent. The World Health Organization predicts tobacco-related deaths worldwide will rise from three million to 10 million by the 2020s, with 70 percent of those fatalities in the developing world. Why is this to occur?

New Beginnings

The IICS is a forceful reaction to unconscionable abuses in the marketplace. As consumers, we can do far better than the present sorry state, but only if we act to assert the basic rights to information, to consumer education, to redress et cetera. At this juncture there is considerable reason for optimism. The creation of the IICS allows a deliberate response, one that helps to construct the institutions needed for the modern marketplace. The difficulties consumers face in India are monumental but by no means is every problem unique. A national effort to create original solutions combined with an international effort to share successful policies offers great promise. If we share research resources we can save precious time and avoid unnecessary anguish. Join this effort. The Indian Institute for Consumer Studies is a promising part of an important new beginning.

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Endnotes

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