

Money, Credit and Consumer Rights

- The intervention of money helped in getting over the problem of double coincidence under the barter system. Money became the measure of the value of a commodity and a standard in exchange operations. For those dealing in perishable goods, it became possible to store the value of their products in terms of money.
- Modern economic societies use money in many forms. There are coins. Their real value is not the value engraved on them. Thus the metal in a five rupee coin is not worth five rupees. Paper currency is in the nature of a promissory note issued by the Reserve Bank.
- Credit Cards are examples of plastic money.
- People deposit their savings in banks. They can withdraw money from their accounts when needed. They can even make payments to third parties through cheques. Depositors are paid interest on deposits at rates varying with the type of deposit.
- Banks keep around 15% of total deposits as ready cash. The rest is lent out to industry and businesspeople at high rates. Banks make profit by offering lower rates of interest to depositors and charging high rates from the borrowers.
- Business people do not always depend on Bank loans for their operations. They even resort to private loans and deferred payments. Credit plays a very important role in business operations.
- Banks are reluctant to give loans to small farmers and artisans. They have not much to offer by way of security. The risk of non-payment is high. They have to depend on private moneylenders who charge very high rates of interest.
- People needing a loan from a bank are required to mortgage the car, property or machines that the banks hold as security. In case of default the balance due is recovered by sale of the mortgaged property. The amount of loan is always well below the market value of the pledged goods or property. Loans are given only after the bank is satisfied about the repaying capacity of the borrower.
- Banks also finance higher education. Loans are given to students who get admission to professional colleges. They are to be repaid at the end of the course and after the students have gained employment. In such cases too the banks insist on someone guaranteeing repayment.
- Big farmers and orchard owners usually meet their credit needs from wholesale merchants. The dealers give advance against standing crops and bind the grower to sell their products only through them. Banks also give advance on grains, etc, stored in their custody.
- Marginal farmers and landless labourers do not get loans from organized banks. They are forced to borrow at high rates of interest from private moneylenders. They are rarely in a position to get out of their debt burdens.
- Cooperative agencies can be very helpful in making finance available to small farmers and artisans. The success of cooperative ventures depends largely on the integrity of the members and the elected managers.
- Rural households depend on both the formal and the informal sector for their credit needs borrowing from the formal sector is limited to rich people.
- The formal sector like banks function under the over all supervision of the Reserve Bank. There is urgent need for some regulation in respect of private money lending too. People with no security to offer can form self help groups to meet their credit needs. The Grameen banks in Bangladesh are an example of a self help model. In India SEWA (Self Employed Women's Association - Gujarat) under the guidance of Ela Bhat has been doing good work in providing credit to self-employed women at affordable rates.
- Banks serve as a bridge between those who can save and those who need money for financing productive projects. Economic development could be meaningful if credit facilities at affordable terms become available even to small peasants, artisans and rural households.
- The individual consumer needs protection from sellers who exploit through a variety of means. Some of these are short weighing, adulteration and sale of defective gadgets. Big manufactures spend huge amounts on publicity and advertisements often making false claims about the efficacy of their products.
- The government needs to take a number of measures to provide protection to consumers.
- It should be made mandatory that responsibility for replacement of defective articles rests with the dealer who accepted payment and not the invisible manufacturer. The consumer should have easy access to a statutory body in case the dealer refuses to honour the warranty or guarantee as the case may be.
- Consumer movements in India are of recent origin. Protection against exploitation by traders assumed international significance with the setting up of the consumer international. Consumer Protection Act was enacted in India in 1986. Consumer Forums have been set up under an Act of the parliament. These function at the District, State and National levels. Individual consumers can approach these courts directly for claiming compensation for deficiency in service. These courts follow a semi-judicial procedure if convinced of deficiency in service, the courts award compensation besides litigation costs and additional fine for causing mental harassment.
- Ordinary consumers have been able to seek redressal through consumer courts even when they were faced with trade giants

like Tata Teleservices and Insurance Companies. Appeal against the decision of the district Forum lies with the state Forum. The national level Forum deals with appeals against judgements given by state Forums.

- Consumer movement is yet to take roots. Customers are often tempted to buy without getting a cash memo. No redressal is possible in such cases even if there is deficiency in service.
- Consumers have the right to be informed about a number of details on packaged goods. They also have the right to choose and cannot be forced to buy any particular ancillary product.

- The passage of Right to information Act has given a further boost to consumer rights. Further the MRP printed on a product should not be taken as the price fixed by the manufacturer or the government. Consumers should bargain as the MRP includes a heavy dealer's discounts.
- One way of ensuring quality is to insist on buying ISI and Agmark products wherever available. Consumer movement can gain momentum if public opinion asserts its rights and government agencies back up individual or group fights against consumer exploitation.

Important Terms

- **Currency** : Paper notes and coins.
- **Cheque** : The document instructing the bank to pay a certain sum of money to the person specified from out of the depositors account.
- **Collateral** : Security against which banks advance loans.
- **Demand deposits** : Deposits in the bank accounts that can be withdrawn on demand.
- **Double coincidence of wants** : What a person desires to sell is exactly what the other wishes to buy.
- **Formal sector loans** : Loans from banks and cooperatives.
- **Consumer International** : An umbrella body for 240 Consumer Protection Organizations.
- **Consumer movement** : Movement for protecting and promoting the interests of consumers against unfair trade practices.
- **COPRA** : Consumer Protection Act.
- **Expiry date** : The date after which the sale of a medicine or food product is banned.
- **MRP** : Maximum Retail Price (It is not a price fixed by government).

Exercise

1

Directions : This section contains multiple choice questions. Each question has 4 choices (1), (2), (3) and (4) out of which only one is correct.

- Introduction of eliminated the need for double coincidence of wants.
 - paper
 - gold
 - computer
 - money
- What does modern form of currency include?
 - Paper notes
 - Coins
 - Gold
 - Both (1) and (2)
- What are 'demand deposits'?
 - Deposits with banks kept for at least 10 years
 - Deposits with banks which can be withdrawn on demand
 - Deposits in banks in form of jewellery only
 - All of them
- What is the income of a bank?
 - Deposits of the depositors
 - Salary given by government to bank officials
 - Difference between what is charged from borrowers and what is paid to the depositors.
 - None of them
- What do you mean by 'credit'?
 - Agreement in which the borrower supplies the lender with money, goods and services in return for the promise of future payment.
 - Agreement in which the lender supplies the borrower with money, goods or services in return for the promise of future payment.
 - Agreement in which the lender supplies the borrower with money, goods and services in return for the promise of no future payment.
 - None of them
- In rural areas, what is the major reason behind taking the credit?
 - Telecommunication
 - Crop production
 - Establishment of factory
 - For buying luxuries
- Which of the following are Informal sector loans?
 - Loan from relative
 - Loan from trader
 - Loan from moneylender
 - Loan from employer
 - Only option (i)
 - Only option (ii) and (iv)
 - Only option (iii) and (i)
 - All of them
- Is there any organization which supervises the credit activities of lenders in the informal sectors?
 - Yes
 - No
 - Might be
 - Can't say
- The cost to the borrower of informal loans is much higher. Is it true?
 - Yes
 - No
 - Might be
 - Can't say

10. Absence of is one of the major reasons which prevents the poor from getting bank loans.
 (1) house (2) relatives
 (3) collateral (4) All of them
11. What do you mean by SHG?
 (1) Self Help Groups
 (2) Service Holder Groups
 (3) Self Housing Groups
 (4) Soul Harassing Groups
12. How many members are there in SHG?
 (1) 10-15 (2) 15-20
 (3) 20-25 (4) 25-30
13. Saving per member of a SHG varies from Rs to Rs or more, depending upon the ability of the people to save.
 (1) 10; 40 (2) 15; 65
 (3) 25; 100 (4) 40; 150
14. In 1985 what was done by the United Nations to ensure protection of consumer?
 (1) UN adopted the UN guidelines for Consumer Protection
 (2) UN formed Consumer Councils
 (3) UN held exhibitions to spread consumer awareness
 (4) None of them
15. Which right makes sure that the manufacturer displays all information on the packing of the product?
 (1) Right to choice
 (2) Right to be informed
 (3) Right to be heard
 (4) Right against exploitation
16. What happens if the good is found to be defective and the expiry period is not printed on the good?
 (1) Seller gives compensation to the buyer
 (2) Manufacturer gives compensation to the buyer
 (3) Manufacturer does not take the responsibility of goods
 (4) None of them
17. What does RTI stand for?
 (1) Retail Trade Information
 (2) Right to Information
 (3) Remedy to Information
 (4) None of them
18. What has COPRA led to?
 (1) Setting up separate departments of Consumer Affairs in Central and State government
 (2) Setting up separate departments of Consumer Affairs in Supreme Courts
 (3) Setting up separate departments of Consumer Affairs in High Courts
 (4) All of them
19. The district level court deals with the cases involving claims up to
 (1) 10 lakhs (2) 20 lakhs
 (3) 30 lakhs (4) 40 lakhs
20. What does BIS stand for?
 (1) Bank Insurance System
 (2) Bureau of Indian Standards
 (3) Bold Italic Style
 (4) Body Ingredient System

Exercise

2

Matching Based MCQ

DIRECTIONS (Qs. 1 to 3) : Match Column-I with Column-II and select the correct answer using the codes given below the columns

1. **Column I** **Column II**
 (A) 1969 (p) The Prevention of Goods Adulteration Act
 (B) 1974 (q) The monopolies and Restrictive trade practices
 (C) 1976 (r) Consumer protection Act
 (D) 1986 (s) Prevention and controls of pollution
 (1) A → (q); B → (s); C → (p); D → (r)
 (2) A → (r); B → (s); C → (q); D → (p)
 (3) A → (p); B → (r); C → (q); D → (p)
 (4) A → (s); B → (p); C → (q); D → (r)
2. **Column I** **Column II**
 (A) an accident due to faulty engine in a scooter (p) Agency that develops standards for goods and services
 (B) District consumer court (q) Right to safety
 (C) Bureau of Indian standards (r) Right to information
 (D) Availing details of ingredients of a product (s) Dealing with consumer cases
 (1) A → (s); B → (p); C → (q); D → (r)

- (2) A → (r); B → (s); C → (p); D → (q)
 (3) A → (p); B → (s); C → (r); D → (q)
 (4) A → (q); B → (s); C → (p); D → (r)
3. **Column I** **Column II**
 (A) Agmark (p) Certificate of standardisation for Industrial products
 (B) Hallmark (q) Global level institutions of consumer organisation
 (C) Consumers International (r) Certificate of edible oil and cereals
 (D) ISI (s) Gold and silver products
 (1) A → (s); B → (r); C → (p); D → (q)
 (2) A → (r); B → (s); C → (q); D → (p)
 (3) A → (p); B → (r); C → (s); D → (q)
 (4) A → (q); B → (s); C → (p); D → (r)

Statement Based MCQ

4. Consider the following statements :-
 (a) Modern forms of money include currency paper notes and coins.
 (b) State Bank of India issues currency notes on behalf of the central government.
 (c) No individual in India can legally refuse a payment made in rupees
 (d) No other organisation except SBI is allowed to issue currency.
 Which of the above statements are correct ?
 (1) (a), (c) and (d) (2) (a) and (c)
 (3) (b) and (d) (4) None of the above

5. Consider the following statements :
- In 1995, United Nations adopted the UN guidelines for consumer protection.
 - At the international level this has become the foundation for consumer movement.
 - Consumers International has become an umbrella body of 240 organizations.
 - It is a tool for nations to adopt measures to protect consumers and for consumer advocacy group to press their governments.

Which of the above statements are correct ?

- (1) (a), (c) and (d) (2) (b) and (d)
 - (3) (b) and (c) (4) All of the above
6. Consider the following Statements:
- ISI mark is given under Bureau of Food standard Act, 1947.
 - Consumer Protection Act was framed to restrict sale of luxury goods.
 - ISI is the certification mark which is used in the case of food products.
 - AGMARK is meant for metal products.
- Which of the above statement(s) is/ are correct ?
- (1) (a), (c) and (d) (2) Only (c)
 - (3) All of the above (4) None of above
7. Consider the following statements:
- Reserve Bank of India grants loans to commercial banks.
 - Prof. Muhammad Yunus was the founder of Grameen Bank.
 - Cheque is an example of plastic money.
 - Moneylender is an example of Reserve Bank of India.
- Which of the above statements are correct ?
- (1) (a), (c) and (d) (2) (a) and (b)
 - (3) (b) and (c) (4) (b), (c) and (d)

Passage Based MCQ

DIRECTIONS (Qs. 8 to 13) : Read the passage(s) given below and answer the questions that follow.

PASSAGE - 1

While buying many commodities on the cover we can see a logo with the letters ISI, AGMARK or Hallmark. It helps consumers get assured of quality while purchasing the goods and services. Though these organisations develop quality standards for many products, it is not compulsory for all producers to follow standards. CPRA is a short term for consumer protection Act which was passed by the government of India in 1986 on 24th December and every year this day is celebrated as consumers' day in India. There are 500 district consumer courts in the country.

8. AGMARK is the certification maintained for the standardization of –
- (1) Jewellery (2) Clothes
 - (3) Food stuffs (4) Consumer goods
9. The day when COPRA was passed is celebrated as –
- (1) Human Rights Day (2) Consumers Day
 - (3) Protection Day (4) Indian Day
10. How many district consumer courts are there in the country?
- (1) 500 (2) 600
 - (3) 400 (4) 100

PASSAGE - 2

Megha has taken a loan of Rs. 5 lakhs from the bank to purchase a house. The annual interest rate of the bank is 12% and the loan is to be repaid in 10 years in monthly instalments. Megha had to submit to the bank, documents showing her employment records and salary before the bank agreed to give her the loan the bank retained as collateral the papers of the new house, which will be returned to Megha only when she repays the entire loan with interest.

11. What was the loan amount taken by Megha ?
- (1) 5 lakh (2) 2 lakhs
 - (3) 1 lakh (4) 6 lakhs
12. What kind of documents are required for the approval of loan ?
- (1) employment records (2) Salary slips
 - (3) Both 1 and 2 (4) None of them
13. What is the period fixed for paying the loan ?
- (1) 15 years (2) 5 years
 - (3) 10 years (4) 1 year

Assertion Reason Based MCQ

DIRECTIONS (Qs. 14 to 16) : Following questions consist of two statements, one labelled as the 'Assertion' and the other as 'Reason'. You are to examine these two statements carefully and select the answer to these items using the code given below.

Code :

- (1) Both A and R are individually true and R is the correct explanation of A.
- (2) Both A and R are individually true but R is not the correct explanation of A.
- (3) A is true but R is false.
- (4) A is false but R is true.

14. **Assertion :** India is one of the many countries in the world which has exclusive courts for consumer redressal.

Reason : Hallmark is the certification maintained for standardisation of jewellery.

15. **Assertion :** Cheques and demand drafts are also known as modern currency.

Reason : Cheques or demand drafts are widely accepted as a means of payment and it makes it possible to directly settle payments without the use of cash.

16. **Assertion :** ISI and AGMARK are logos and certification which help consumers get assured of quality while purchasing goods and services.

Reason : LPG cylinders, food colours and additives, cement, packaged drinking water etc. need certification because they affect the health and safety of consumers.

Correct Definition Based MCQ

17. What is the correct definition of Self Help Groups ?
- (1) These are the groups who take loans from banks and give to their members.
 - (2) The groups who take loans from the money-lenders and then give it to their members.
 - (3) The groups whose members advance loans to their members and pool up their resources
 - (4) The groups who are the brokers of the banks.
18. What is correct definition of Hallmark ?
- (1) It is a logo related to gold and silver products.
 - (2) It is a logo which gives certification to metal products.
 - (3) It is a logo which is meant for the food products.
 - (4) It is a logo meant for agricultural products.

Feature Based MCQ

19. On the basis of following features identify the correct option.
- (I) This act has been passed in 1986.
 - (II) According to this Act, a consumer has the right to choose a good among a variety of goods.
 - (III) This act advocates that consumers should not pay more than a printed prices.
 - (IV) It gives protection to consumers from dishonest traders or sellers.
- (1) District consumer Act
(2) Essential commodities Act
20. On the basis of following features identify the correct option.
- (I) It supervises the functioning of formal sources of loan.
 - (II) It monitors the banks in maintaining cash balance.
 - (III) Periodically other banks have to submit information to it how they are lending and to whom, at what interest rate etc.
 - (IV) It is fully owned by government of India and was nationalised in 1949.
- (1) Chit fund (2) Federal Bank
(3) State Bank of India (4) Reserve Bank of India

Hints & SOLUTIONS

Exercise 1

1. (4) Introduction of money eliminated the need for double coincidence of wants as any person can buy or sell his commodity for money, which he can further use for any purpose.
2. (4) Unlike the things that were used as money earlier, modern currency is not made of precious stones or metals.
3. (2) Demand deposits provide direct settlement of various payments.
4. (3) Banks charge a higher rate of interest on loans than what they offer on deposits and that is their income.
5. (1) Credit is a loan given to a borrower by a moneylender who may be an individual or an organization such as Banks.
6. (2) In rural areas, farmers usually take crop loans at the beginning of the season and repay the loan after harvest.
7. (4) Relatives, traders, moneylenders and employers are informal sources of loan.
8. (2) Informal lenders can lend at whatever interest rate they choose. There is no one to stop them from using unfair means to get their money back.
9. (1) Compared to the formal lenders, most of the informal lenders charge a much higher interest on loans.
10. (3) Poor people do not have any collateral to borrow loan against it. Thus, it is a major reason which prevents poor from getting bank loans as they ask for collateral security.
11. (1) SHG stands for Self Help Groups. The idea of SHG is to save money by pooling and then use the collected money as per the needs of the poor.
12. (2) A typical SHG has 15-20 members, usually belonging to one neighbourhood, who meet and save regularly.
13. (3) Savings per member varies from 25 Rs to 100 Rs. Members of SHG can take small loans from the group itself to meet their needs.
14. (1) UN formed Consumers International which has become an umbrella body of 240 organizations from over 100 countries.
15. (2) Right to be informed possessed by the consumer makes sure that all the required and important information is printed on the product. If a consumer knows about the product he buys, he can then complain and ask for compensation or replacement if the product proves to be defective in any manner.
16. (3) If the expiry period is not printed, the manufacturer would blame the shopkeeper and will not accept the responsibility. But in case of medicines, if expired medicines are sold, severe action can be taken against the seller.
17. (2) RTI stands for Right to Information and ensures citizens of India all the information about the functions of government departments.
18. (1) COPRA stands for Consumer Protection Act and has led to setting up separate departments of Consumer Affairs in Central and State governments.
19. (2) The district level court deals with the cases involving claims up to Rs. 20 lakhs. If a case is dismissed in a district level court, the consumer can also appeal in State and then in National level courts.
20. (2) BIS is an agency that develops standards for goods and services.

Exercise 2

1. (1) 2. (4) 3. (2)
4. (2) Modern forms of money include currency - paper notes and coins. It is an object that is accepted as payment for goods and services and repayment of debts.
5. (4) A major step taken by the Indian Government in 1986 was the enactment of the consumer protection Act to safeguard the interest of the consumers.
6. (2)
7. (2) A cheque is a paper instructing the banks to pay a specific amount from the person's account.
8. (4) 9. (2) 10. (1) 11. (1)
12. (3) 13. (3)
14. (2) A Hallmark is an official mark on gold and silver products. It is applied by a trusted party to ensure the quality of the product.
15. (1) 16. (1) 17. (3) 18. (1)
19. (4) Right to information means the right to be informed about the quality, quantity, purity, potency, standard and price of goods to consumer against any unfair trade practice.
20. (4) Reserve Bank of India is India's central banking institution which controls the monetary policy of the Indian rupee. It was established in 1935 and was nationalised in 1949.