

# Consumer Protection Act and Corporate Social Responsibility of the Businesses

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## Abstract

Consumers can cheer as the Consumer Protection Act, 2015 has recently replaced the three decade old Consumer Protection Act, 1986. The new Act proposes a slew of measures and tightens the existing rules to further safeguard consumer rights. Introduction of a central regulator, strict penalties for misleading advertisements and guidelines for e-commerce and electronic service providers are some of the key highlights. Consumer redressed commissions, aka consumer courts, are present at the district, state and national levels to address consumer complaints. The Act has increased the pecuniary jurisdiction, which means ability of courts to take up cases depending on the value of the case, of the consumer courts.

Another crucial change says that now the money spent on buying the product till that time will determine the value of the case as opposed to the previous parameter of total value of the purchased goods/service. In another move, the Act allows consumers to file their complaint with the court from anywhere. This comes as a big relief as earlier they were required to file complaint in the area where the seller or service provider was located. This is a fitting move considering the rise in e-commerce purchases, where the seller could be located anywhere. In addition, the Act also enables the consumer to seek a hearing through video conferencing, saving him both money and time.

Now Corporate Social Responsibility (CSR) is well accepted among shareholders as well as with various other stakeholders of society in India. The term CSR is new normal for Indian organisations. CSR tends to focus on what is done with profits after they are made. Larger corporations understand that CSR is an integral part of business framework for sustainable development. Companies also consider that CSR is an approach towards sustainable development and focus on the triple bottom line of Economic, Environmental and Social performance. In India, the term Corporate Social Responsibility (CSR) is widely being used even though related concepts and terms, such as business responsibility, sustainable development, philanthropy, sustainability, corporate citizenship, responsible business, triple bottom line, shared value, value creation, business ethics, socio-economic responsibility, bottom of pyramid, stakeholder management, corporate responsibility, and corporate social performance.

*Key words: Consumer protection, green economy, central government, corporate social responsibility, economical.*

## Introduction

The Consumer Protection Bill, 2015 has been passed by the Lok Sabha on Jul 30, 2015, and Rajya Sabha on Aug 06, 2015. This bill was introduced in the parliament by the Minister of Consumer Affairs, Food and Public Distribution, Mr. Ram Vilas Paswan. Consumer Protection Act, 2015 is a law to protect the interests of the consumers. This act was inevitable to resolve a large number of pending consumer complaints in consumer courts across the country. It has ways and means to solve the consumer grievances speedily. The basic aim of the Consumer Protection Act, 2015 to save the rights of the consumers by establishing authorities for timely and effective administration and settlement of consumers'

disputes. As per the act; a person is called a consumer who avails the services and buys any good for self-use. Worth to mention that if a person buys any good and avail any service for resale or commercial purpose, is not considered a consumer. This definition covers all types of transactions i.e. online and offline.

The CSR activities of Indian companies are in line with the provisions of Section 135 with Schedule VII to the Companies Act, 2013. The CSR initiatives of companies thrust on creating value in the lives of the communities around its areas of business and manufacturing operations' has become an effective tool to work in the line of Sustainable Development Goals (SDGs) with a strong focus on social performance indicated in the CSR projects of the organizations. The SDGs, otherwise known as the Global Goals, are a universal call to action to end poverty, protect the planet and ensure that all people enjoy peace and prosperity. Most of the businesses consider community as one of its apex stakeholders and believes in inclusive growth. This year most of the organisations continued its CSR initiatives in the realm of Education, Health, Livelihood, Rural Development and Social Entrepreneurship.

Organisation's diverse projects and operations touch lives of people in many ways and create value by helping in overall and holistic development of communities within multiple geographies. Through its various initiatives, Companies endeavour to play a relevant role by serving communities and projects that address gaps in basic societal requirements. Conscious business decisions by the Companies have directly and indirectly created value for multiple stakeholders and helped in improving lives of the people and species. Businesses in India believed in creating societal value by providing affordable products and services which have assisted in the growth of relevant and allied industries. Across all its areas of operations of Business, there are inherent linkages and interconnections with the immediate and long term societal impact. Most of the business have a practice of reporting the CSR performance not only in Annual Report but also in dedicated Annual CSR Report and Sustainable Development Report. These reports are externally verified and are in accordance with the Global Reporting Initiative (GRI) guidelines and Business Responsibility Report, mandated by the law and competent authorities. CSR initiatives are conceptualized and implemented through Corporate Foundations, Non-Government Organisation (NGOs) and Agencies and not-for-profit organisations. Most of the organisations worked on 4P model (Public-Private-People-Partnership) for empowering communities and stakeholders. Businesses have positively impacted lives particularly of several hundreds of thousand underprivileged people through various CSR activities and approaches. It has been observed that for Indian Companies, Corporate Social Responsibility (CSR) is the commitment of businesses to contribute to sustainable economic development by working with the employees, their families, the local community, experts and the society at large to improve lives in ways that are good for business and for its development. In the broad manner, CSR segment of the organisation is guided by the Board of Governance, Business DNA, CSR and Sustainability Mission of the Companies. In compliance with the provisions of Section 135 of the Companies Act, 2013 with the Companies (Corporate Social Responsibility Policy) Rules, 2014, Companies have taken measures and steps to ensure improvement and betterment. Most of the businesses seek to continue its contribution to the society through its distinct value proposition that meets the needs of millions of people, enhancing their lives through education, healthcare, improving quality of living by providing attitude, means and enabling livelihoods by creating employment opportunities through and for the Business, By the Business and Beyond the Business.

For the Business, value is being created for the society through business including employment generation, market growth and opportunity creation. By the Business- value is also being created through Corporate Social Responsibility (CSR) interventions across different operating facilities with appropriate linkages to local communities in which businesses operate and Beyond Business- value is being created through interventions for the societies in diverse geographies across India through creation of demand and services.

### **Objective:**

This paper intends to study the consumer protection act enacted by Indian government and its role in shaping the corporate social responsibility to help the customers

### **Salient features of The Consumer Protection Act**

Definition of consumer: A consumer is defined as a person who buys any good or avails a service for a consideration. It does not include a person who obtains a good for resale or a good or service for commercial purpose. It covers transactions through all modes including offline, and online through electronic means, teleshopping, multi-level marketing or direct selling.

Rights of consumers: Six consumer rights have been defined in the Bill, including the right to: (i) be protected against marketing of goods and services which are hazardous to life and property; (ii) be informed of the quality, quantity, potency, purity, standard and price of goods or services; (iii) be assured of access to a variety of goods or services at competitive prices; and (iv) seek redressal against unfair or restrictive trade practices.

Central Consumer Protection Authority: The central government will set up a Central Consumer Protection Authority (CCPA) to promote, protect and enforce the rights of consumers. It will regulate matters related to violation of consumer rights, unfair trade practices, and misleading advertisements. The CCPA will have an investigation wing, headed by a Director-General, which may conduct inquiry or investigation into such violations.

CCPA will carry out the following functions, including: (i) inquiring into violations of consumer rights, investigating and launching prosecution at the appropriate forum; (ii) passing orders to recall goods or withdraw services that are hazardous, reimbursement of the price paid, and discontinuation of the unfair trade practices, as defined in the Bill; (iii) issuing directions to the concerned trader/ manufacturer/ endorser/ advertiser/ publisher to either discontinue a false or misleading advertisement, or modify it; (iv) imposing penalties, and; (v) issuing safety notices to consumers against unsafe goods and services.

Penalties for misleading advertisement: The CCPA may impose a penalty on a manufacturer or an endorser of up to Rs 10 lakh and imprisonment for up to two years for a false or misleading advertisement. In case of a subsequent offence, the fine may extend to Rs 50 lakh and imprisonment of up to five years.

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. However, there are certain exceptions when an endorser will not be held liable for such a penalty.

### Seven pillars of CSR strategy

1. Need of partnership in CSR
2. Cross learning
3. Supplementing and nurturing CSR
4. Per beneficiary cost reduction and maximizing the impact while reaching more people
5. Knowledge management and documentation
6. Use and reuse of resources for better CSR
7. Capacity building of the CSR workforce and re-skilling

### Need of partnership in CSR

Business organisations now recognise Corporate Social Responsibility (CSR) as a great opportunity to significantly strengthen their businesses – while building, strengthening and renewing human, social and natural resources and wealth. Finding the right kind of partners is absolutely important to the success of a CSR strategy. We are in connected world. All issues are connected to the other issues, perspective and environment. Working alone is good but working together is great. Working alone yields lesser benefits as compared to the working together always. CSR world should explore togetherness by partnering with other entities. Togetherness in addressing the social and environmental issues is good for all. CSR world should encourage partnership to execute the mega social projects. To fulfil the corporate social responsibility (CSR) goals businesses have to realise and act in partnership. Formation of partnerships has played a very significant role in progress and prosperity across the world. Partnership brings companies, businesses, people and society together and then pool their resources together in order to achieve the set goals. Partnerships in CSR is need of hour. Partnership opens doors for cross learning of knowledge and experiences.

At public sector business organisations in India, CSR has been also looked upon as closely linked with the principle of sustainable economic development, which demand that organisations should make decisions and act based not only on financial factors but also on immediate and long term social and environmental consequences of their operations and activities. Businesses in India have been sensitive towards the concerns of society and is committed to operating its core business in a socially responsible way by taking into consideration the wider interests of the community and the environment.

### **Cross learning in CSR**

Cross learning is key to CSR strategies. Learning improves performance and minimise risks. Effective partnership among likeminded organisations for CSR execution ensures cross learning in Corporate Social Responsibility. CSR leaders from different organisations must visit specific CSR locations of other organisation where CSR projects are being implemented and meanwhile they should meet the beneficiaries to gain new insights. CSR leaders must build a deep understanding of the socio-economic issues and they must be open enough to understand issues both from a business and a societal perspective. Learning from others in CSR can save time and resources. Concentrate on your CSR efforts but same time CSR leaders must learn from variety of successful CSR programmes. The greatest opportunities will come from areas where the business significantly interacts with society. Cross learning in CSR is immensely helpful in supplementing and nurturing CSR programme and projects.

### **Supplementing and nurturing CSR**

Good CSR strategy and projects must be encouraged and supplemented. Opportunities for complementing and supplementing ongoing social projects and initiatives, programmes must be explored. Supplementing CSR emphasises on the sustainability of projects and programmes to ensure they remain relevant and viable even upon disengagement at the end of the project period. Every organisation explore possibilities for collaborating and co-operating with other corporations in order to synergise its efforts and increase both financial and social resources as well as outcomes and impact. Businesses may consider in supplementing even in smaller well defined CSR projects. Supplementing the CSR projects by the smaller or larger organisations matter in order to ensure optimal utilisation of the CSR budget and resources.

### **Per beneficiary cost reduction in CSR**

Per beneficiary cost reduction and maximizing the impact while reaching more beneficiaries in CSR is key to success. Business organisations have a variety of motives for being attentive to CSR and run a CSR projects. Leaders can increase impact and reduce costs when they understand the role of Corporate Social Performance (CSP) in driving CSR Performance (CP). Business should think of reaching more people by using less money and resources. Reduction in per beneficiary cost can be achieved by the partnership, collaboration, cross learning and reuse of resources.

## **Knowledge management and documentation**

CSR reporting practices strengthen organizations. The process of documenting and communicating CSR practices provides benefits to corporations, including the ability to formalize their position on CSR, identify organisational strengths and weaknesses, and manage stakeholder relationships and expectations. In India, any shortfall in spending in CSR shall be explained in the financial statements and the Board of Directors shall state the amount unspent and reasons for not spending that amount. As per the CSR Law, the CSR Committee of organisation shall institute a transparent monitoring mechanism for implementation of the CSR projects or programs or activities undertaken by the company.

Documentation, reporting and communication of the CSR performance is crucial to the CSR strategy. Documentation of the CSR must be organised and structured and should be accessible. Companies can explore the new way of documentation, reporting and communications.

## **Use and reuse of resources for better CSR**

Effective use and reuse of resources can improve the CSR performance. Awareness on use and reuse of resources among across the stakeholders can help in achieving the desired goals of CSR sustainability. Sustainable CSR can be achieved through community and beneficiaries engagement. CSR is a process oriented task.

Recycling and reuse often are the easiest places to start. CSR leaders should take the essential steps to recycle the commonly recyclable materials, and look for easy opportunities to replace disposable or recyclable items with reusable ones. CSR leaders also should look for partners to help with more challenging to recycle or exotic materials, as well as for opportunities to introduce reusable packaging. And of course, look upstream to design new idea, services and programmes.

## **Capacity building of the CSR workforce and re-skilling**

In the fast changing world, capacity building of CSR workforce and re-skilling them are always relevant and are key to CSR performance. Human resource are fundamental requirement. CSR leaders must empower their subordinates by providing them right attitude, knowledge, information and trainings. Same time, CSR managers also be open to learn new things. Developing soft skill, professional skill, project management skill and leadership skill among CSR workforce is continuous process. Rigorous training, development and re-skilling of the CSR manners can save time, efforts and resources.

## Conclusion

The Act has proposed provisions for product liability under which a manufacturer or a service provider has to compensate a consumer if their good/service cause injury or loss to the consumer due to manufacturing defect or poor service. For instance, if a pressure cooker explodes due to a manufacturing defect and harms the consumer, the manufacturer is liable to compensate the consumer for the injury. Earlier, the consumer would only be compensated with the cooker's cost. The consumer could ask for compensation, but through a civil court, which usually takes years to resolve a case, and not consumer forum. E-commerce will now be governed by all the laws that apply to direct selling. The guidelines propose that platforms like Amazon, Flipkart, Snapdeal etc will have to disclose sellers' details, such as their address, website, email, etc and other conditions related to refund, exchange, terms of contract and warranty on their website to increase transparency.

Eminent scholars have claimed that companies while having enormous fiscal resources lack adequate knowledge of existing public problems and policy measures. As a result, their CSR efforts are misguided and do not help the public in the long run with sustaining benefits. For example- companies blinded with carrying out their mandated CSR activities might employ contractual workers with extremely low pay packages and virtually no other benefits. CSR activities carried out by companies often clash with their commercial and other vested interest which are prioritized over serving the society. Furthermore, it is also claimed by scholars that social issues often cannot be solved by money alone and most corporates do not want to look beyond fiscal measures to help the society. They also do not realize that money can often worsen existing problems

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