Information Asymmetry, Market Failure and Institutions: An Analysis of Effectiveness of Consumer Protection Legislation in India

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Exchange is the basis of economic growth and development. If market works fully on the assumptions of classical economist market is self-sufficient in producing and allocating resources efficiently. Unfortunately, in the real world the assumptions of perfect rationality, perfect information and zero transaction cost are not realistic. In the absence of such features in an economic agent market bound to fail. In such situations of market failure we need formal institutions to devise constraints that structure behavior of an economic agent for political, economic and social interaction.

This paper discusses asymmetric information, one of the core issues of new institutional economics. It observes through various existing literature the issues arise in the market when information is not complete for both the parties involved in any transaction. Market failure due to asymmetric information may reduce the welfare of the society. Mostly it’s been observed that consumers are the parties which are less informed about the transaction unless there is a proper institution existing in that country to take care of consumers and their rights.

The paper is divided into five sections. Section one deals with introducing the economics of information, section two deals with the problem of Market for Lemons. Section three of the paper deals with the institutions resolving these problems. It also analyses the cases reported to consumer courts having complaints related to adverse selection and moral hazard suffered by the consumers. Based on the facts of the cases, paper analyses the effectiveness of the existing institutions in India in terms of grievance redressal system and protecting the rights of the consumers. The findings of the paper and recommendations are discussed in the last section of the paper.

Key words: Asymmetric Information, Market for Lemons, Adverse Selection, Consumer Protection, Moral Hazard, Formal Institutions.

1. Introduction on Economics of Information

Exchange creates value’ is the fundamental principle of economics. Wherever and whenever the exchange is hampered, market fails to produce efficient result. Perfect information is the source of efficient market. The traditional economic models were based on many such assumptions.

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including the symmetric information between the two parties involved in exchange\textsuperscript{3}. Other assumptions which make the market outcome optimal are perfect rationality of the economic agent, no externalities present and zero transaction cost.

It would be too lengthy for us to critically discuss about all the assumptions of the traditional economic theory and its model (classical economics). Our main focus is on the assumption of perfect information and how it’s been criticized by the institutional economist as unrealistic for the use of any economic analysis.\textsuperscript{4} The institutional economists like Thorstien Veblen, Douglass C North, George Akerlof, Herbert Grubel and Ronald Coase heavily emphasized on the fact that human beings have limited cognitive abilities and therefore perfect information for them is too costly to gather.\textsuperscript{5} This gives us a new understanding of the market which is more realistic in nature, i.e., there exists information asymmetry in the market between the parties involved in transaction. In other words, one party knows more about the transaction than the other party.

Many of us would wonder that how can this be a problem at all, as the information can be leveled between both of them by asking everything about that product, good or services. The problem is not as simple as it looks, since suppose there is a seller and her self-interest of securing higher profit margin will not allow her to mention everything about her product, means all bad points including the good ones. The goodness of the seller’s product increases the demand for her product followed by the increase in price and the profit margin. On the other hand, any negative characteristic or feature of the product will reduce the consumers demand for the same, which in turn lowers the price and thus the profit margin of the seller.

This can also be interpreted as in such condition, welfare (profit/revenue/surplus) of one party depends on the information the other party has. The costlier the information to achieve the larger would be the information gap and the greater will be the welfare loss to the party with the lesser information. In such market there would be distrust, lower satisfaction, and therefore lesser trade. Like any other existing literature on the importance of institutions in economic growth and

development, this paper also maintains the same stand and that it’s impossible to think of an economic growth and development in the society where the trade is hampered or doubtful. This fails the phenomenon of ‘self-interest’ and ‘invisible hand’ to achieve the greatest welfare of the society.6

2. Market for Lemon Revisited

Imperfect information in any market is a significant issue for the growth and development of the economy. One of the major reasons behind the difference between the growths of different economies is the amount of market failure present in their economic system.7

Market with imperfect information can face two types of problems, one is adverse selection and the other is moral hazard. Adverse selection is the inability of one trader to assess the quality of the other and therefore tend to buy a product which is not worth the price he has paid for.8 Precisely adverse selection is a mismatch between the expectations of one of the traders from the transaction and the actual outcome of the transaction. In other words, the expectations one party has from that particular transaction is not up to the same standard as it was projected by the second party, who has apparently more information about this exchange.

George Akerlof has explained this problem with the help of a used car market where the information about the used car is asymmetrically held by market participants.9 Not to mention the sellers of used car has more information about their car than the buyers and it is impossible or highly costly for the buyers to know the difference between good and bad quality used car of the same model and year if the outer look of the car is maintained properly. This ambiguity generates the weighted average price for all existing cars. The sellers of good quality cars will leave the market at the pricing lower than what they deserve. The ‘market for lemon’ remains when all the

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good and genuine sellers (peach and apple) would be out of the market for not getting at least the minimum price they deserve.

This phenomenon doesn’t only happen in used car market but in almost all the market where we find a misbalance between the buyer and sellers or between the two parties involved in that particular transaction. Even in the credit/loan market we see a great deal of asymmetric information between the borrowers and the lenders. As the profit of the lenders depend on the borrower’s capacity to pay back the loan in time, the borrowers in this case possess more information about their being a credit worthy or not. The higher the Non-Performing Assets (NPAs) the lower will be the profit of the lenders in this case. The higher the NPAs, the higher would be the interest rates and the lower will be the investments. Therefore, in any economy investment is a major source of economic growth, the lower the investments, the lesser is the trade and thus the lower will be the performance of the economy.

Another problem which may lower the welfare of the economic agents and hamper trade is moral hazard. Moral hazard is the hidden action of one of the traders. It is the intangible loss-producing propensities of the individual assured.” It has been observed from the empirical studies that the insured person tends to become the victim of the risk more often compare to uninsured person. An individual whose car is not insured would drive it more carefully than the individual whose car is insured. The consequences of the risk an individual is taking while driving an insured car is shared between the owner of the car and the insurance company. This reduces the private marginal cost of the individual and thus increases the activity of less careful driving.

There is a basic economic fundamental which governs this behavior, individuals always try to be rational in making their choices so they tend to consume more if their private marginal cost of consumption reduces and is less than their private marginal benefit. As Mankiw says “If you

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have flood insurance, you are more likely to build your house on a flood plain,” and. “If you have fire insurance, you’ll be less careful about smoking on the couch.”

The companies which are not able to monitor the risky behavior (moral hazard) of the person involved in exchange may end up suffering from losses and then shut down. Well we will limit our discussion on moral hazard since our focus for this article is completely on adverse selection and existing solutions available to resolve this issue.

Imagine a situation of the foreign investors, why they would be interested in investing their money in your country when they know from the experience and your country’s history that your country may be another lemon in international market. Even though your goods and services or the factors of production may be the best among the rest of the world, they would choose a country where such instances are less or in other words the information gap is not much. The cost of dishonesty has to be borne by the nation and its nationals and mostly it is found in underdeveloped countries.

We cannot imagine a society which is perfect and has perfect information in all the existing markets. We also at the same time cannot sit back and leave everything to price mechanism and market to help us out in such situations. The suggestion of Institutional Economists in this regard is to bring in institutions in place to correct the market failure. The institutions according to them are the integral part of the firm and therefore cannot be kept outside the theory of the firm.

3. Institutions Dealing with Information Asymmetry

Since ages social and political thinkers of the world are concerned about the consumers and their welfare. Gandhi treated consumer as supreme and expected sellers to serve him with full capacity. Kautilya’s in his ‘Arthashastra’ has given the solution to improve consumer welfare by imposing

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penalties on to the sellers for cheating and fraudulent. The idea of protecting consumers is not new in India. From Kautilya to Gandhi most of the social

The world has already recognized that market at many instances has failed to bring the efficient outcome. the pain of consumers losing millions of surplus due to the advantage taken by one of the traders having greater information involved in the transaction is understood as an obstacle in widening the market and so the economy. From United Nations to respective legislations of each country, the goal is to maximize consumer surplus by dealing such atrocities appropriately.

3.1 United Nations Approach

In order to protect the consumers from the issues of adverse selection and moral hazard arise due to asymmetric information, the United Nations in 1985 adopted few guidelines. These guidelines are the result of the campaign initiated by consumer’s associations with Consumers International. The original guidelines were basically focusing on generally accepted basic consumer rights such as ‘right to safety’ and ‘right to be informed’

UNGCP are the set principles for all the member countries to form an effective legislation to protect consumers’ right and safety, to setup enforcement institutions and redress system. UNCTAD promotes and encourages the member countries to also create awareness through many ways.

3.2 Institutions in India

Consumers in India are reported of losing confidence and trust on things like false weights and measures, poor quality of goods and services, buying of hazardous products which are not well informed to them by the sellers, creating artificial shortage, excessive pricing and misleading information by the sellers about their products to attract higher sales and profit. These are few very common practices of any developing economy of the world. One of the reasons behind these

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economies has developing or underdeveloped is the weak and ineffective institutions compare to the developed economies.

In India there were a plethora of laws to check the supply of substandard products and to take care of the consumers in India. But nothing much could be achieved in this regard. When the demand is more than the supply the consumer is neglected. The same was the case in India till mid 80s it was a sellers’ market. In India consumer had to buy what was offered and he had no choice even if the price was high, the quality and service was poor and terms of sales were unattractive and sometimes even unreasonable compared to situation prevailing in free economy countries. The Indian industry and trade completely ignored the consumer even in the matter of after sales service or keeping to their promise to repair or replacement. Consumers often felt helpless because our laws are very complicated, costly and time consuming and requires an advocate to plead the case. Consumer protection is essential for a healthy economy.\textsuperscript{20}

There was a need for a specific legislation dealing with the protection of consumers in order to provide, Physical protection of the consumer, Protection against deceptive and unfair trade practices, against all types of pollution, against the abuse of monopoly position and/or restrictive trade practices and Protection of enjoying the rights.

3.3 Consumer Protection Act 1986

In 1986 the Consumer Protection Act was passed “to provide for the better protection of the interest of consumers and for that purpose to make provisions for the establishment of consumer’s councils and other authorities for the settlement of the consumers’ disputes and for matters connected therewith”.\textsuperscript{21} Thus the basic objectives of the Act are to provide better protection to consumers, and to establish suitable machinery specially consumer councils to settle disputes.\textsuperscript{22}

3.4 Consumer Protection Act 2019

Even after the enactment of the legislation, the problems faced by the consumers exist. Some of the major issues related to the Consumer Protection Act 1986 were Unfair Trade Practices, Spurious or Duplicate Goods, Misleading advertisements, Gimmick of warranty and Guarantee, Pricing, Recycled or renovated Goods, Unsecured Internet Banking.\(^{23}\)

With the advent of information technology revolution, Indian economy was going through the structural changes. The characteristics of market have been changed and extended from only physical market in 1980s to online market. By the beginning of 2019 the share of B2C online business was almost 2.5% of the total GDP.\(^{24}\) This brings the need to update the existing legislation with the new one which must include the issues which have stem up due to the structural changes in Indian economy.

In order to strengthen the laws with respect to protection of consumers the consumer protection bill 2019 was passed. The Bill replaces the Consumer Protection Act, 1986. Key features of the Bill include: modification in the definition of consumer, establishment of Central Consumer Protection Authority and its functions, defining of consumer rights, penalties for misleading advertisements, setting up of Consumer Disputes Redressal Commission at district, state and national levels and defining product liability.\(^{25}\)

3.5 Case Analysis

The following are few cases analyzed to check the effectiveness of existing Consumer Protection legislation in India.


A) *Procter and Gamble Home Products Ltd. V. Taranjit Kaur* 26

Sections Invoked: S. 2(1)(d), 2(1)(f), 21(b)

This is an appeal case is between the parties, Procter and Gamble Co. Pvt Ltd and Taranjit Kaur, a resident of Dhuri Village, Punjab, India filed in State Consumer Dispute Redressal Commission.

Taranjit Kaur, a resident of Dhuri village, had used a pouch of 9 ml of Pantene Shampoo which she alleged caused damage to her hair despite using the hair product as per the specifications. In the pouch of 9 ml which Tarnjit Kaur had purchased from a general store in Punjab it was mentioned that after the usage dull faded hair of the consumer will look black and shiny. As claimed it was a wrong description given on the product. Kaur, alleged that her hair got damaged and could not be restored to the original form despite her best attempts.

The damage to the hair was to such an extent wherein Kaur had to seek medical help. She approached a private clinic where she was told that there was no solution to her hair problem and the damage caused cannot be rectified. The only solution to the problem was that her hair had to be removed completely.

Kaur had to get her hair chopped due to which she contended that her appearance became completely “awkward” because of Procter and Gamble’s error.

The contention of the company was that their product had evolved after thorough research by leading hair specialists and was subject to highest testing according to global standards. There cannot be any issue with their product as it has passed all the required tests to be sold in the market. Also they said that it is a frivolous complaint which is filed by Mrs. Kaur as she has not been able to produce any evidence in the court which could prove that the product was defective and it does not meet the global standards.

The argument put forth by the complainant was that there was nothing left in the shampoo pouch after using it which could be sent for any examination. Hence this contention of the company was

26III (2014) CPJ 338 (NC)
dismissed by the commission. The commission also observed that Procter and Gamble did not file any report by testing similar pouches, which could prove that the shampoo was not spurious.

The State Consumer Dispute Redressal Commission, Punjab dismissed the appeal of the hair shampoo manufacturer, and fined the company with a penalty of Rs. 14500 for causing damage to the hair through its product to the Sangrur resident.

B) Nitin S. Kekre (Dr.) v. Speed Birds Pvt. Ltd.27

Sections Invoked: S. 2(1)(g), 14(1)(d), 21(b)

The petitioner in this case was working as a Reader in the Department of Urology at Christian Medical College and Hospital, Vellore, India. He wanted to attend the world congress of Endourology at Melbourne. He also had to visit the Royal Adelaide Hospital in Australia on an invitation. He was invited to attend 6th Urological Conference at Malacca in Malaysia.

So, he approached the company for booking tickets and obtaining visas. He handed over his passport and letters of invitation as demanded by the company. In mid-October the petitioner was informed that the company got a visa for the petitioner for visiting Australia. He was informed that the visa to visit Malaysia would be processed only after the return flight ticket from Kuala-Lumpur to Madras was confirmed. Amount of Rs, 38,045 was paid by the petitioner to the company. The required documents were produced for the same.

He was asked to get the visa from Malaysian Consulate at Madras. He was also informed that the company had got confirmation for return ticket. The company was trying to get the date changed as desired by the petitioner.

He was given tickets for the route Madras - Singapore - Melbourne - Adelaide - Sydney - Kuala Lumpur - Madras and the company confirmed the status of booking from Air India. He was told that he was waitlisted from Kuala- Lumpur to Madras for travel which would be confirmed.

27IV (2010) CPJ 390 (NC)
After reaching Melbourne, the petitioner contacted the officers of Quantas Airways Limited from whom he came to know that he had neither confirmed reservation for nor was he waitlisted. He was advised by Ms. Aylic, Quantas Desk, to contact Quantas Airways Office at Adelaide where he was informed that the yellow sticker on his ticket was fraud and had no authorization from Air India. He was also informed by Quantas Airways that no seat was available in the flight from Kuala-Lumpur to Madras in the near time and only option was to update the ticket to club class so that the petitioner could fly out of Kuala-Lumpur. He did not have sufficient money to purchase ticket for club class. With the help of a doctor friend and by spending 800 Malaysian Dollars he got a ticket for economy class from Kuala-Lumpur to Madras.

After returning, a notice was issued to Air India to which the company replied that it is a case of false advertisement and the company is nowhere involved. Also there was no booking made to the airlines on the dated mentioned by the petitioner for travel from Kuala Lumpur to Madras to and fro. He stated that he had suffered mental agony as he did not have sufficient foreign currency. Also he was disappointed as he could not attend the conferences which were the sole objective of his journey.

The company admitted that the petitioner had approached them for booking air ticket to Australia for the purpose of attending a conference there. He, however, did not mention about any conference to be attended at Malaysia. It was denied that the petitioner gave letters of invitation to attend conference as demanded by the company. Also the company stated petitioner wanted his return journey from Australia to be routed through Kuala-Lumpur as he was to visit his friend there. Visa for Malaysia was arranged by the petitioner himself.

It was further denied that after reaching Melbourne, the petitioner contacted the officers of Quantas Airways Limited and through whom he came to know that he had neither confirmed reservation nor was he wait listed. The company had informed the petitioner at the time of handing over the ticket that return journey had to be re-confirmed on reaching Australia since Quantas Airways Limited had arrangements with Air India for part of the return journey. It was denied that petitioner was told by Ms. Aylic at Quantas Desk to contact Quantas Airways office at Adelaide and there it
was told that the yellow sticker on his ticket was a fraud and respondents had no authorization from Air India to issue such a sticker.

It was further denied that petitioner did not have sufficient foreign currency to purchase a ticket for club class and he had to fly up to Madras from Kuala-Lumpur in economy class by purchasing ticket with the help of a doctor friend.

Complaint was stated to be bad for non-joinder of Quantas Airways. Liability to pay the amount claimed was emphatically denied. The respondents were directed to refund the fare from Kuala-Lumpur to Chennai to the petitioner. The District Forum had allowed the complaint with direction to the respondents to pay amount of Rs. 25,000 as compensation for mental agony, Rs. 25,000 towards air fare and other expenses and Rs. 4,000 as cost to the petitioner. Petitioner was, however, ordered to pay certain costs for appeal to the respondents Rs. 4,000 as cost in the complaint and another sum of Rs. 4,000 towards cost in the appeal to the respondents.

C) *Lourdes Society Snehanjali Girls Hospital v. H&R Johnson(India) Ltd*. 28

**Sections Invoked:** S. 2(1)(f), 2(1)(g), 2(1)(r), 23

This civil appeal by special leave is directed against the impugned judgment and order passed by the National Consumer Disputes Redressal Commission, New Delhi, India.

In this case defective tiles were affixed on the walls of a building. The appellant is a charitable institution running a girl’s hostel at Surat for the benefit of Adivasi children. The Society is not a commercial establishment rather a registered society helping the adivasi students in their education by providing hostel facilities.

The society purchased vitrified glazed floor tiles form a store which was the local agent of the company. The said tiles, after its fixation in the premises of the hostel, gradually developed black

28III (2016) CPJ 27(SC)
and white spots. The society wrote several letters to the sales executive of the company informing about the inferior and defective quality of the tiles.

The local agent visited the spot but failed to solve the issue. An architect was appointed by the society to assess the cost of the damage caused due to fixation of defective tiles. The damage was assessed to a tune of Rs.4,27,712.37 which included price of the tiles, labor charges, octroi and transportation charges.

The matter went from District and State Commission to National Commission and finally to Supreme Court. The matter had been under litigation for a period of fourteen years. The respondents were directed to pay for the damages along with an interest@9% p.a. the costs of Rs. 50,000/- of these proceedings are also awarded in favor of the appellant Society.

D) **Alok Kumar Roy v. Hewlett Packard India Sales Pvt.Ltd.&Anr**

**Sections Invoked:** S. 2(1)(f), 2(1)(g), 14(1)(d),21(b)

The Revision Petition is filed against the impugned order of Maharashtra State Commission Disputes Redressal Commission, Mumbai, India against the Consumer Disputes Redressal Forum, Mumbai Sub-District, India.

The complainant purchased a Lap Top for Rs. 56,500/- which came with a warrantee of one year. It went frequently out of order and for which repairs were undertaken by the company even after warrantee. The complainant had spent Rs. 1400/- for repairing the said Lap Top and he contended that it was the negligence of the company which incurred loss to the complainant.

The complainant is an Engineer and he was expecting job in U.S. Due to break-down of Lap Top, he was unable to contact the U.S. Company in time and hence lost the opportunity. The complainant requested the company to replace the laptop but the company did not pay any heed to that request and hence the complaint was brought before the district commission for compensation, mental agony and the cost of the laptop totaling an amount of Rs. 9,73,436/-. 

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29IV (2013) CPJ 140 (NC)
The company denied the allegation of faulty laptop. They said that they had rectified the defects promptly. The defect was in the DVD writer which they had replaced and hence there is no deficiency of service.

The District Forum partly allowed this complaint and directed the company to pay Rs. 30,000/- to the complainant within six weeks, failing which, the amount would carry interest @ 9% per annum. The complainant was aggrieved by this order of district forum and filed an appeal before the state commission for the enhancement of the compensation. The State Commission dismissed the appeal.

A revision petition was filed. The National Consumer Disputes Redressal Commission went through all the evidence produced. It found complainants claim for Rs.9,73,436/- to be unjust enrichment. The award of Rs. 30,000/- by the District Forum was found to be just and proper and the Revision Petition was dismissed.

In above all four cases it’s been observed that how the consumer courts at different level tried to resolve the issue arose due to the presence of information asymmetry among the buyers. These cases clearly indicate the effectiveness of the formal institution in tackling the adverse selection happened due to lesser or misleading information about the goods and services sold in the market where price system did not act as a mechanism for communication information.  

In above mentioned cases it’s been analyzed that whether it is the case of high profiled company such as proctor and gamble or it’s a local level case of defective tiles if the consumers have filed a complaint against the seller and brought to the notice of consumer court, the justice is been given as per the guidance of united nations and the objectives of consumer protection Acts.

It’s also been observed from these cases that the Consumer Protection Act of 1986 and 2019 takes care of only those cases where there is a bilateral exchange or market based on price mechanism. The cases where the services are provided for free is not been reported or registered despite of the fact that even if the services or goods provided to consumers are not chargeable or for free, there is immense amount of information asymmetry exists which may reduce consumer’s satisfaction.

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3.6 Unreported Incidences

There are many incidences where consumers have suffered losses due to high negligence of the sellers or sometimes due to opportunistic attitude to gain higher profit and sales. Few incidences which have come across through review of literature are mostly related to food items in which the customer has ordered vegetarian food and non-vegetarian food was served to the customer.

On 15\textsuperscript{th} April 2016 an order was placed through Swiggy for a cream roasted veggie pizza from Onesta, Bangalore and the order delivered was cream roasted chicken pizza instead of the cream roasted veggie pizza. The complainant belonged to a pure vegetarian Marwadi family, but they never escalated the matter to consumer court because of concern related to their time and money.\textsuperscript{31}

In another incident on June 2016, in Mohali, Air India served non veg meal instead of veg meal which the consumer had opted for.\textsuperscript{32}

Another incident happened in 2011 where Swiss International Airlines served non veg to the customer on Zurich-Mumbai flight.\textsuperscript{33} In another incident in 2013 in Bangalore Au Bon Pain Bakery served non veg in Mac veg n cheese to a Brahmin.\textsuperscript{34} Similarly, in September 2019, Faasos delivered chicken biryani instead of paneer biryani to a Brahmin family.\textsuperscript{35} These issues arise merely due to the gross negligence on part of the restaurants.

We can see many complaints cited by people on various forums or in the complaint register of that particular restaurant, but hardly any action is taken in this regard. It is very saddening to see such behavior of the restaurant. Most of the times instead of apologizing for their mistake and providing a relief to the consumer they try to take undue advantage of the ignorance of the law on part of the


\textsuperscript{33}(2014, December). International airline to pay for serving non-veg food to vegetarian flyer. Times Of India.


consumer. The consumers at times do not have answers to the questions as to where to file the case or what should be the basis of filing the case, what are the documents required, what evidence should be collected and the amount of damages to be claimed etc.

4. Conclusion and Recommendations

As one of the fundamentals of economics ‘exchange create value’ to be followed, the goal of institutional analysis is to find out whether an existing institution serves some useful purpose or not, the paper tried to analyze the same.\(^{36}\) It can be concluded that the Consumer protection Act of 1986 and now the new Consumer Protection Act of 2019 are taking care to bridge the information gap and achieve symmetry in information of the transaction between the traders. The new Consumer Protection Act of 2019 has added e-commerce and online purchasers as well in the definition of consumers. we could analyze with these cases and the up-gradation of the law that Indian legislation is very active in building the trust of the traders on each other and making the exchange more reliable and successful to avoid ‘market for lemons’ and assure better economic growth and development.

Although the complaints that reaches to the court are well resolved but still this is not sufficient enough to remove or reduce the amount of adverse selection happening in the market where information is costly to get. It is being observed through the various literature and available reports that the frequencies of such issues arise in the market are very high compared to the complaints actually go to the court of law.

Based on the above analyses the authors conclude the problem findings under three categories:

i) The consumer is not aware of this fact that there is something of such institutions exist for redress their issues

ii) Even if they are aware of such existence they are reluctant to go to the Consumer Courts because of high transaction costs in form of time, effort and money.

iii) Unilateral services are not included in consumer protection Act, where in economics terminology a consumer can also be a person who is receiving goods and services for free apart from those consumers who pay for it or purchase the items online.

The consumer awareness program should be frequently carried out by the Government of India and State Government to inform the consumers about their rights and remedies. Under this government can also ask the private firms carry consumer awareness program through various ways these firms are comfortable with. It can be added under corporate social responsibility.

The government or the legislators need to do the survey and find out the reasons behind consumers not reaching to court despite of the fact that India and Indian states have well established consumer courts. The consumer protection legislation is ineffective unless it reaches to the common people.

The legislation must add the issues where the services is provided for free for e.g. water and sanitation, free education and health services etc. provided by the government or by the private firms under corporate social responsibility.

The authors have these recommendations open for the new researchers to find out various other ways with which the above suggestions and recommendations can be captured by the concerned authorities. In the world of scarcity let the formal institutions be efficient enough to make sure the exchange happens and economy grows by resolving the issues and sources of market failure.