An Empirical Study on the Consumers Behaviour and Economic Loss

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Abstract
The expectation of consumer is attained maximum consumer surplus when he purchases the commodities. Forfeiture means a loss of money due to paid the highest amount of money rather than willing to pay for the commodity, is the economic measure of this loss of satisfaction. It expresses that the consumers are generally ready to pay a low price for the commodity than its value. Empirical research relies on experience or observation alone, often without due regard for system and theory. It is actually based on the law of diminishing marginal utility of money. The level of satisfaction is varied from consumer to consumer according to their purchasing power, intensity of demand and price level. The consumer is expected more economic benefit when he purchases the commodity but seller charges more price on that commodity that a particular commodity is very urgent needed to the consumer to satisfy present want and can not postpone purchasing it. Therefore, he is compelled to purchase it and in this situation he incurs loss.
Keywords: Consumer, Forfeiture, Loss, Price and Commodity

Introduction

The concept of consumer's surplus was originally by Jules Dupit, the French Engineer economist in 1844 to measure the social benefits of public goods such as national highways, canals, and bridges. It has an important tool in the field of welfare economics and the formulation of tax policies by government. Thus it was developed and popularized by British economist Alfred Marshall. It is actually based on the law of diminishing marginal utility of money. The measurement of welfare needs some ethical standard and interpersonal comparisons, both of which involve subjective value judgment (Koutsoyiannis)

Now we used the term forfeiture in the field of consumer behaviour. Forfeiture means a loss of money, property and any other rights. Consumer loss is due to pay the highest amount of money rather than willing to pay for the commodity (Dewett and Varma). Consumer never prepare or ready to think the highest price of a commodity but he is always thinking low price or below the actual price, though the value of the commodity high (Varian). Consumer surplus is an important barometer of measuring market efficiency and consumer welfare. It studies whether consumers benefited or buyers benefited from the competitive pricing in a market. The price gaps between buyers and sellers may arise from a differential highlights on the satisfaction and utility aspects if sellers are more likely than buyers in determining the price of goods. Sellers are asking more price on goods with the buyers while buyers are decided less price goods but sellers are not ready to give up their decision. So, buyers pay more price for that commodity than they expected. In this situation, sellers forfeiture more money from the buyers.

The concept forfeiture is a significant because of sellers are willing to collect more money from innocent buyers when they consume the commodity. In the case of consumer surplus, consumer is ready to pay higher price but he actually pays less price and in the case of consumer forfeiture, consumer is prepared to pay low price but he actually pays high price.

According to Marshall, excess of the price which a consumer would be willing to pay rather than go without a thing over that which he actually does pay is the economic measures of this surplus satisfaction (Ahuja). Increase in the price of some goods is bound to lead fall in the prices of some other goods, the quantity of money is increased (Seth). Price level as a whole goes up only when more money is injected into the system (Gupta). All goods are to some degree of substitutable for one another in that they compete for a part of the income of the consumer (Koutsoyiannis).

Definition

According to our opinion, "The less or low price for needed a product which a consumer would be interested to pay less amount rather than which he does actually pay, is the economic measure of this loss of satisfaction. It may be called consumer's loss or forfeiture". It expresses that the consumers are generally ready to pay a low price for the commodity than its value. But when they purchase a good, they pay higher price for it. As a result, the consumer loses of more satisfaction. The more dissatisfaction is known as consumer's loss or buyer's loss.

Objectives

To study about the consumers behaviour and economic loss.

Methodology

Empirical research is based on evidence from observation and experimentation. This study is based on qualitative, quantitative and the nature of the information collected from consumers in the perfect competitive pricing market. In this study, empirical method of data is observing and gathering information from the consumers. This method is a form of conversational approach among the buyers.

Conceptual research is that related to some abstract idea(s) or theory. It is generally used by philosophers and thinkers to develop new concepts or to reinterpret existing ones (Singh). On the other hand, empirical research relies on experience or observation alone, often without due regard for system and theory. It is data-based research, coming up with conclusions which are capable of being verified by observation or experiment (Kothari and Garg). The required information for the study is collected from the 250 consumers based on their experience earned when they consumed commodities from the consumer market.

Collection of Data

In order to study out the law of the consumers' forfeiture, secondary data was collected from various journals, books, published, non published materials and also prepared consumer table (Sadhu and Singh). Primary information was collected from the consumers by conversation regarding consumer behaviour. According to their opinion, most of the consumers felt that the psychological attitude of the buyer.

The Explanation of the Law Consumer Loss

For instance, suppose a consumer desires to buy one kilogram apple. He is prepared to pay Rs. 40 for 1 kg apple. But he actually pays Rs. 50. Then the consumer losses Rs. 10. Thus, the consumer losses are the difference between what a consumer is willing or ready to pay and what he actually pays. He is ready to pay the less amounts than actually pay. Hence, consumer losses are equal to ready to pay minus actual pay. In brief,

$CL = RP – AP$ (or)

$CL = RP < AP$

$CL = TRP < TAP$

P=Price, Q=Quantity of the Commodity, CL=Consumer Loss, RP=Ready to Pay, AP=Actual Pay, TRP=Total Ready to Pay and TAP=Total Actual Pay

Assumptions

- The price of the commodity is fixed by the seller.
- There is no bargaining between buyers and sellers.

- There are only available complementary goods, not substitute's goods (Lipsey).
- There is no change in the taste, preference, character, income of the consumer (Sankaran).
- Marginal utility of money is increased
- The real income of the consumer is decreased when actual pay increased than ready to pay (Chauhan).
- There is no change in external factors such as tax, custom duties (Jhingan).
- Consumer has intensity of demand for the particular commodity (Shastri).
- Marginal utilities for the commodity of ready to pay is increased less than increased in actual pay for the commodity (Russell and Wilkinson).

Table 1 Examined based on the Consumer Experience

Apple in kg (Q)	Ready to pay in Rs. (Marginal Utilities in Money) TRP	Actual pay in Rs. (Marginal Utilities in Money) TAP	Consumer' loss (RP – AP) CL
1	40	50	-10
2	80	100	-20
3	120	150	-30
4	160	200	-40
Total 4 kg	400	500	-100

CL = TRP - TAP
CL = 400 - 500
CL = -100

The above table represents that a consumer is ready to pay Rs. 40 for one kg of apple but the actual price is Rs. 50 which paid by the consumer. Now consumer paid extra Rs. 10 which amount of money forfeiture by the seller from the consumer. This is consumer loss. Again, consumer is willing to buy one additional kg of apple and ready to pay Rs. 80 but consumer is actually paid Rs. 100. Now consumer is extra paid Rs. 20 which amount of money is forfeiture from the consumer by the seller. Therefore, consumer incurs loss and so on. Consumer ready or prepare to pay TRP Rs. 400 (40 + 80 + 120 + 160) for purchasing of four kg apple but paid actual amount or price of TAP is Rs. 500 (50 + 100 + 150 +200) for the same 4 kg apple. Now, consumer extra amount of Rs. 100 paid to the seller than willing to pay for the commodity. This Rs.100 is loss to the consumer. As a result of it, his real income is decreased, and therefore he does not enjoy additionally.

In this figure, X- axis represents the amount demanded and Y- axis stands for price. DD1 refers to demand curve. Now, a consumer is ready to pay OPCM level of price for 1 kg apple but a seller imposes to pay the actual price ODCM on the consumer. Therefore, a consumer faces loss at PDC level. That is OPCM – ODCM = PDC which is consumer loss.

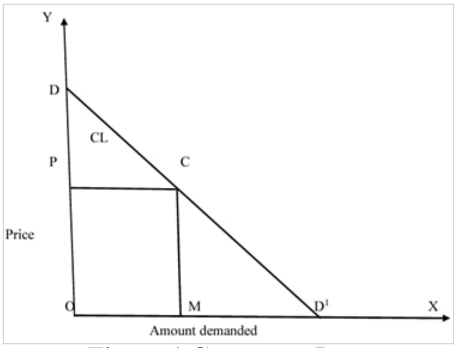

Figure 1 Consumer Loss

Findings

- The consumer is ready to pay less amount of money than actual pay.
- The consumer is attained loss when he consumes the commodity.
- The trend of ready to pay is increased when actual pay is also increasing, but ready to pay is increasing less than actual pay.
- The real income of the consumer is decreased due to increase in actual pay.
- The sellers satisfaction is more than the consumer satisfaction due to fix higher price for the commodity
- There is bargaining between seller and buyer when they are selling and buying commodities in a consumer market.
- The sellers have charged more prices from the uneducated customer than the actual value of the commodity. Therefore consumer's incure loss.

Conclusion

Concluded that in absence of no substitution between commodities and no bargaining between buyer and seller, consumer incurs loss and also his real income is automatically come down. Therefore, consumer reaches pain satisfaction and not pleasure satisfaction. The consumer is ready to pay low price for the commodity when he consumes it, but seller is fixed high actual price for those commodities, anyhow consumer wants to consume those commodities for satisfying their immediate needs, as a result consumer incurs loss when he consume those commodity. Sellers are earned abnormal profit from consumer market of the commodity through charging more prices from the consumer. Consumers never bother about the price of the commodity when it is urgently needed to the consumers to satisfy their wants. Consumer Protection Act is one of the best implications for the consumer forfeiture on market efficiency. Unfair trade practices among the sellers with consumers are completely regulated by the Consumer Protection Act. Consumer welfare represents maximizes economic benefits or aggregate welfare of the consumers by paying less amount of money than what seller is asking the price for the commodity. Consumer Protection Act is protecting the consumer from adulterating goods which provides consumer welfare and maximum satisfaction (Gupta and Singh). Government should be formulate reasonable and desirable price for the commodities, and instruct to the sellers to sell it for the welfare of the consumers. Government interference is very significant in a consumer market towards consumer welfare.

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