

More than fifty percent investors still unaware about redressal mechanism

Background

The financial sector is lagging behind many other industries, both in terms of customer care and basic access. For example, there will soon be 1.7 ml people in the world with mobile phones but no bank account.

The UN reported in 2006 that risks in lending to the poor have been consistently overrated. At its peak in 2007, the FS sector accounted for 14 percent of GDP in the US. While accounting for 5 percent of private sector jobs, during this time FS was responsible for no less than 40 percent of total corporate profits.

Consumers around the world face a range of problems in their dealings with FS providers, from irresponsible lending practices to unfair contracts, abusive charges and advise by salespeople lacking in objectivity. Despite all this most consumers manage their affairs responsibly. But still many consumers have no access to FS at all. There is a clear distinction between the two types of countries. That is in developing countries, the issue is with regard to basic access to FS, while in rich countries, consumers suffer from a lack of impartial advice and other related problems.

Objective

Viewing the problem as a global issue, CI decided to earmark this sector as a theme for this year's World Consumers Rights Day. To commemorate the day, CUTS decided to conduct a survey among investors in fifteen districts of Rajasthan. The main objective of this consumer survey is to gauge the level of awareness of consumers on different financial services available to them. The survey was done in order to support the CI campaign to raise the level of financial literacy among consumers.

Methodology and Targeted Area and Audiences

The survey as stated was targeted in 15 districts of the state of Rajasthan in India. All these districts are the districts, where CUTS IEPF and other related activities with the support of SEBI and BSE were conducted in the past and among the people, who were interviewed included those also, who had participated and attended CUTS meetings earlier. The survey was carried by the district project partners and networkers through a questionnaire developed in simple language and the people targeted were categorized between equal proportion of economic status. The educational and gender status have also been judged and put in the analysis. The data received from the partners, who surveyed the investors was compiled and then later arrived with conclusion through analysis.

Analysis

The compilation of the survey with relevant data as a support is summarised as below:

The whole survey is categorised broadly in three heads:

1. Different investment alternatives available to investors and general problems, which these investors often face in these investments.

2. Level of satisfaction and awareness with regard to services rendered to investors on above investments.
3. Abuses often faced by the investors and awareness on the available grievance redressal mechanism for resolving those.

In the investment alternatives, banks (67.7 percent) seem to be the greenest area, where investors trust maximum. Around 52.7 percent people have rated insurance sector as another option for investing, which is a very good indication that ever since private insurance companies started floating into the market, number of insured people in the country have increased considerably. The others in line are non-banking financial companies, insurance sector, share market and post office etc.

But there are general problems with regard to that, which are related to general terms and conditions related to investment, problems with regard to rate of interest levied on loans, credit cards etc. With regard to level of awareness, the results are not overwhelming. An average of 13 percent ranging from 12 to 19 have expressed that they are aware of the schemes/plans, where they have invested their money and are not fully aware of the terms and conditions and simply investing their hard earned money blindly on faith. Similarly with regard to satisfaction over interest charged on loans, a huge number upto 51 percent have expressed their dissatisfaction over the present trend of charging. For credit card also, 56 percent have shown their dissatisfaction regarding services, whereas 80 percent have said that they are charged heavily on these.

In questions related to gauge the level of awareness and satisfaction on services rendered to them, among the respondents ranging from 11 to 16 percent have shown satisfaction for different services being offered to them for investing with bank, post office, insurance and share market being the places, where 15 to 16 percent of the respondents have shown satisfaction. Here, the question is that the rest of the respondents have expressed their dissatisfaction over services, which is an alarming situation.

With regard to level of awareness on the available redressal mechanism and different regulatory bodies, firstly as much as 43 percent of the total respondents have rated banks as the place, where they are victimised maximum and even after that nearly 52 percent have remarked that they are either not aware of the redressal agencies or do not file complaint due to their apathy. The reason for this are either there is a very little hope of getting justice or less compensation offered as redressal or simply the procedure is too lengthy. But even then, who ever goes for redressal, only 28 percent have said that they are satisfied with the redressal, they got. So is the situation with regard to regulatory authorities. Only 36 percent of the total respondents are familiar with Reserve Bank of India and rest of the bodies are even lesser.

Conclusion and Suggestions

The above results shows that there is still lot need to be desired with respect to raising the level of awareness of investor consumers, who have invested their money at different places without much knowing about the investment plan or unfair contract terms and they simply invest on hope, faith and trust.

There are some good and bad practices both by service providers and investors often face abuse for bad practices but the worst is that they can raise their voice as either they do not have hope or they are lethargic or they are not aware for getting redressal. So a need to

come over such practices and make investor aware is desired. There is a need for more and more education on investment for protection of their rights and duties. Each service provider should come out with basic education imparting classes by way of different modes for investors so that in future investor is safer than what he is today.



Deepak Saxena

CUTS Centre for Consumer Action, Research and Training (CUTS CART)

D-222, Bhaskar Marg, genesis

Bani Park Jaipur 302 016, India

Ph: 91.141.228 2821/ 513 3259

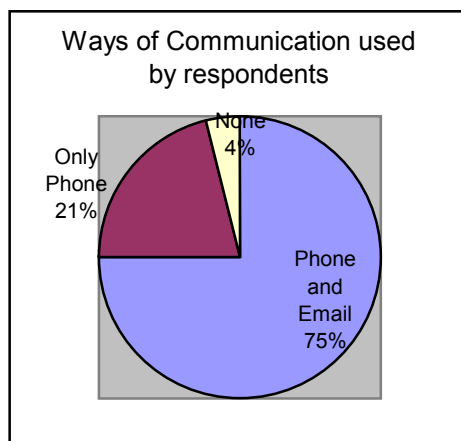
Fx: 91.141.228 2485/ 401 5395

Mobile: 093513 66827

Em: ds@cuts.org/cart@cuts.org

Web: www.cuts-international.org / <http://www.cuts-international.org/cart>

Findings emerged from the CUTS Survey Conducted in 15 districts of Rajasthan on Our Money Our Rights



1. Means of communication channel being used by respondents

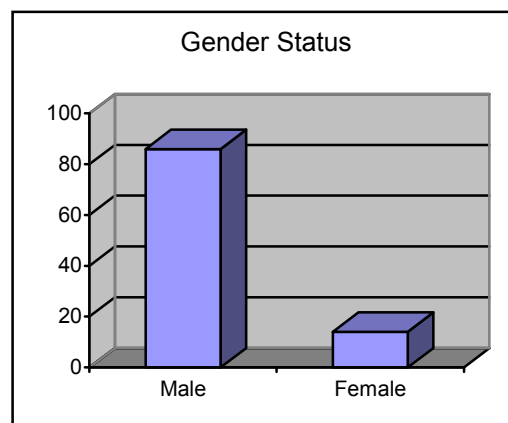
Out of the total responses received from different consumers through a survey carried in 15 districts of Rajasthan, 75 of them have stated that they have telephone facility as a medium of communication, whereas, only four of them said that they are using email as another mode of communication other than phone.

Surprisingly, 21 respondents said that they have neither.

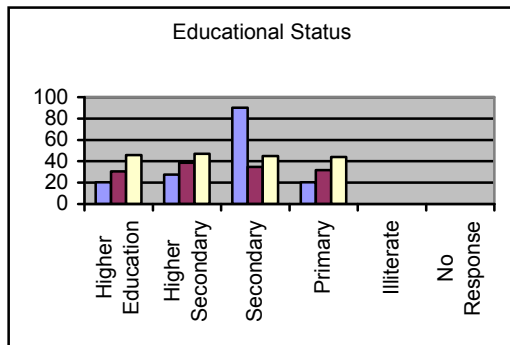
2. Gender status of respondents:

Out of the total respondent, 86 of them are male, whereas only 14 female did participate in the survey exercise.

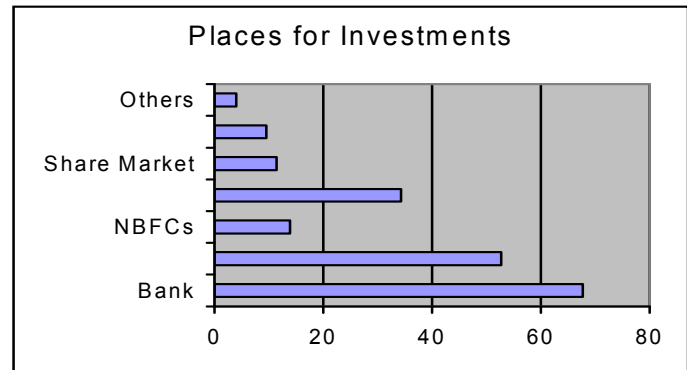
3 Educational qualifications of respondents



As far as the qualification status is concerned, around 51.7 percent of the respondent attain higher education, whereas, 24.4 percent of them are educated up to the level of higher secondary, 14.9 percent of them are secondary pass, 5.5 percent are only primary level educated, 3 percent of them, though totally illiterate but even then respond to questionnaires as an investor. 0.5 percent did not respond to the questionnaire.



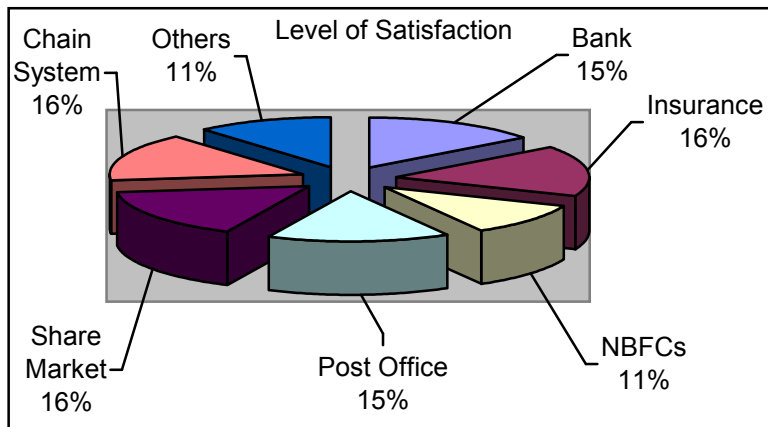
level educated, 3 percent of them, though totally illiterate but even then respond to questionnaires as an investor. 0.5 percent did not respond to the questionnaire.



4. Investment alternatives of respondents

On enquiring about different alternatives of investments, 67.7 percent of the total respondents as investor have stated bank as a better place to invest their money, whereas 52.7 percent rated insurance sector as another good place to invest, 34.3 chose for post office, 13.9 percent rated private finance companies as another option to invest. Only 11.4 percent of the total respondents have chosen for capital market, a good and lucrative place for investing money. Four percent of them rated other alternatives for investments.

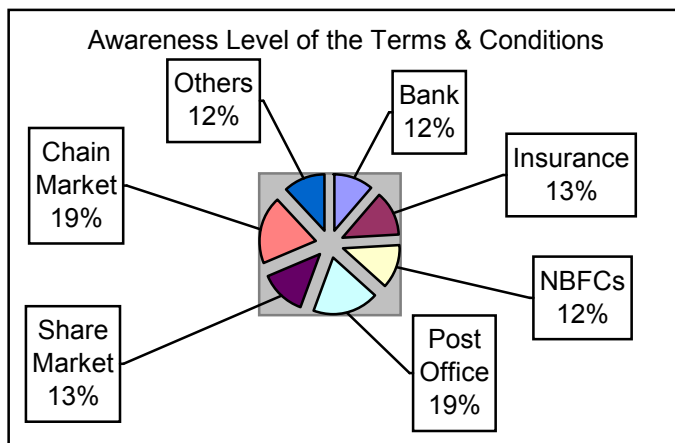
4.1 Satisfaction status with the services of above alternatives:



On being asked about the rate of satisfaction with regard to services of above mentioned alternatives of investments, only 15 percent of the total respondents have said that they are satisfied with the services rendered to them by bank, similarly only 16 percent each of the total

respondents are satisfied with insurance, share market, chain system respectively. Rest are not. 11 percent each for NBFC and other places of investments are positive for satisfaction but the rest have not.

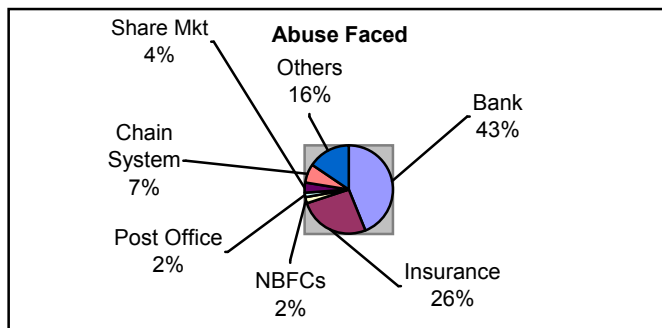
4.2 Awareness level of the terms and conditions involved in investments



In a very important question with regard to awareness on terms and conditions of a particular investment plan being offered to them, only 12 percent of the respondents have said that they are fully aware of the investment plan, so is with share market, where only 13; post office only 19 percent; NBFCs only 12 percent, insurance only 13 percent and others 12 percent have expressed their

understanding on the plan, which is being offered to them or they have have invested in that. This is a alarming situation as rest of the investors, who are investing their money either do not know the terms and conditions or are simply investing blindly on faith.

5. Abuses faced by investors

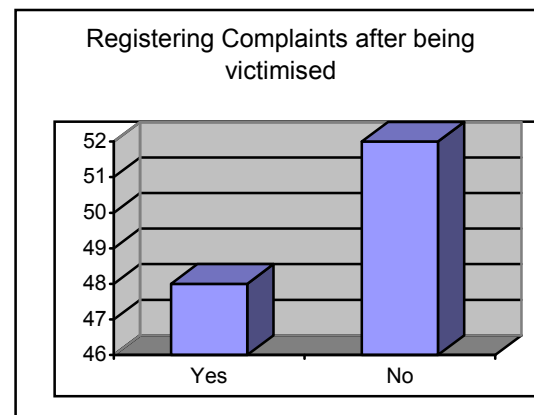


In another interesting question, 43 percent of the total respondents said that they faced abuse and agony with banks, whereas 26 percent rated insurance sectors as a place, where they face such situations. 7 percent of the total respondents rated chain system concept marketing as another place of investment, where

investors faces abuses. A very small percentage of 2, 4, and 16 have graded NBFCs, post offices, share market and other alternatives respectively, where investors often faces such difficulties and abuses. This means that very few people invest money in these places and adopting banks as the best place to invest money and that is the reason, facing abuses in these are minimised.

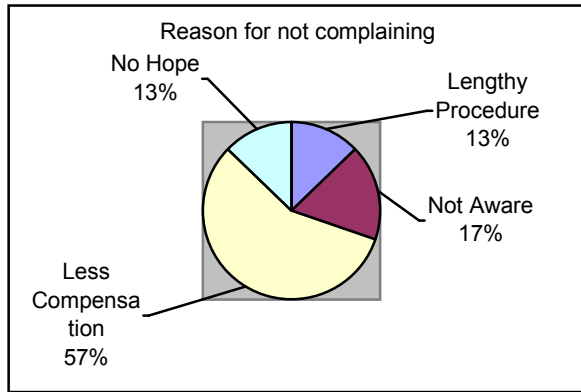
5.1. Complaints after being victimised

Surprisingly, with regard to previous question, 52 percent of the respondents have said that they did not file any complaint, any where against the said organisation, where they faced abuse or have been victimised. 48 percent said that they have filed a complaint. A huge number of 52 percent saying negative means is a major concern and also signifies that the investors are not aware of different platforms of registering their complaints against their investments.



5.2 Reasons for not filing complaint

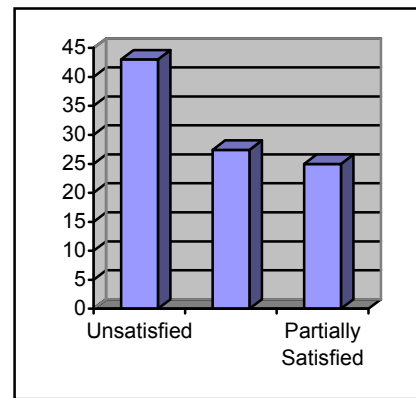
For the group, who had earlier said that they did not go for any complaint filing despite of facing anguish in their investments, various reasons, which they have quoted is that



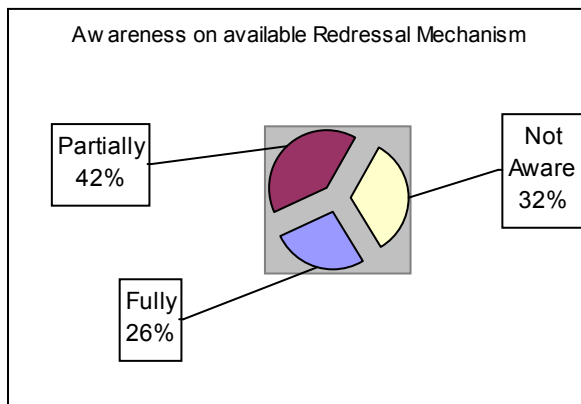
17 percent does not know about the procedure at all, 13 percent believes that they do not have any hope for getting justice, 13 percent of them says that the procedure is too lengthy and a huge number of 57 percent of the respondents have the feeling that despite getting redressal, the amount of compensation, they get is too small so no point going for the litigation.

5.3: Satisfaction status on redressal of complaints

Of the responses, where respondents have said that they have gone for redressal, the rate of satisfaction of these investors is alarming, where only 28 percent of them have said that they are satisfied with the redressal, they got, whereas almost 42 percent replied negative to it. There were another 30 percent, who rated that they got partial success.



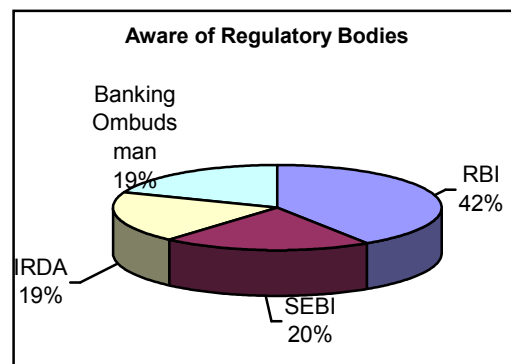
6. Awareness of the available Grievance Redressal Mechanism of financial institution



Regarding the awareness level of the available grievance redressal mechanism for the investors of different class, kind, culture and level, almost 42 percent of the total respondents have said that they are partly aware of the mechanism. Where as only 26 percent have said that they are fully aware of this. 32 percent of the respondents said that they are not at all aware of the mechanism.

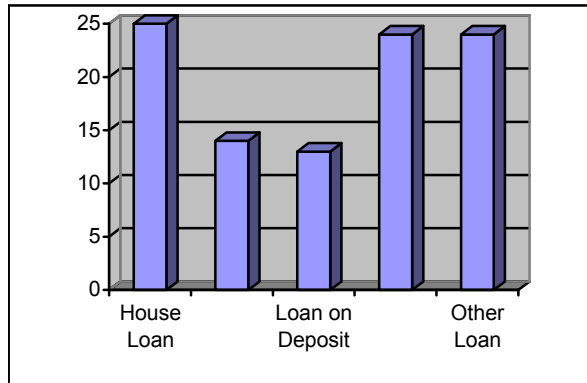
7. Status of familiarity with regulatory authority

Regarding the awareness on different regulatory bodies dealing investors, 36 percent of the total respondents are familiar with RBI, 17 percent knows about SEBI, 16



percent have the knowledge of banking ombudsman, 15 percent says that they know insurance ombudsman and 16 percent said that they are familiar with IRDA.

Types of Loans availed by Respondents

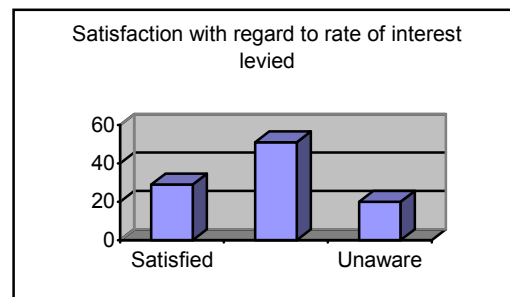


8. Types of loan availed by respondents

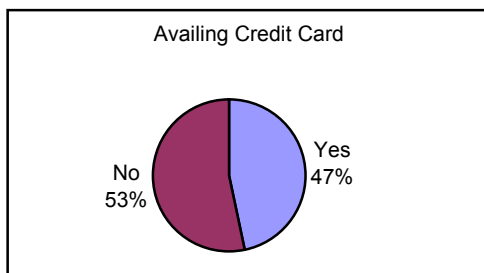
Regarding the types of loans, which normally consumers avails from different sources, 25 percent of the total respondents confirms house loan and 14 percent for personal loan, whereas 13 percent each says that they take loans from deposits and 24 on credit cards. Rest 24 percent says that they take loans from various other sources. Nearly 65 percent did not reply to the question.

9. Satisfaction with regard to rate of interest levied.

Only 21 percent of the respondents say that they are satisfied with the present structure of rate of interest. A huge number of 51 percent says that they are not whereas 29 percent said that they are either not aware or partially satisfied.



10. Availing credit card from banks

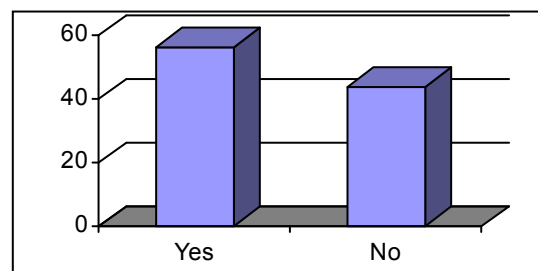


Regarding the availing of credit card facilities, 53 percent defies availing this, whereas 47 percent said that they have credit cards.

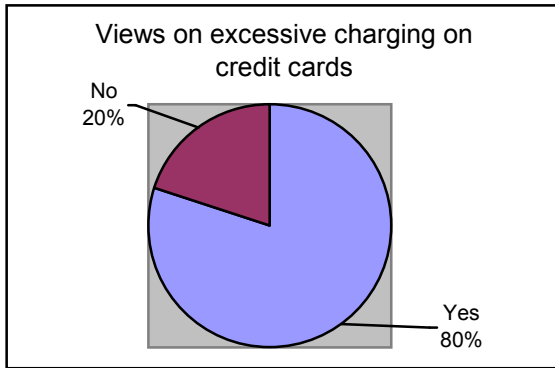
10.1. Satisfaction with the services rendered against the credit card

56 percent of the consumers say that they are not satisfied with the services and often misguided, looted or harassed with regard to recovery, whereas 44 percent do not have any complaint with regard to this.

Satisfaction over credit card facility

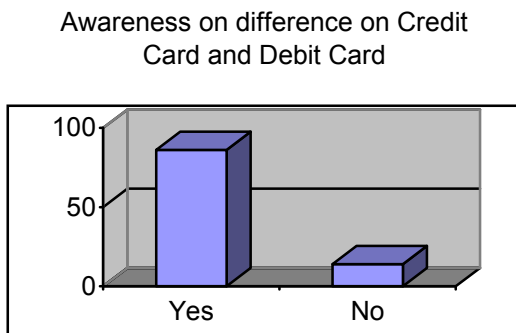


10.2. Are banks charging excessive for credit cards



With regard to another very important question of charging excessive by banks on credit cards, as much as 80 percent have respondent having credit card saying that they are charged very heavily with for unwanted reasons resulting into lot of harassment to them. Only 20 percent said that they are satisfied with the prevailing rate.

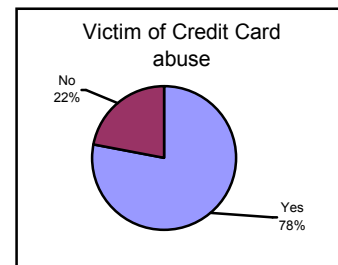
10.3. Awareness on difference in debit and credit card



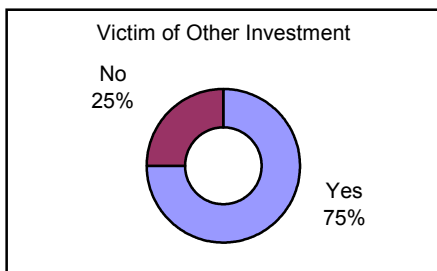
Regarding the question to gauge the level of awareness on the difference between debit and credit cards, 86 percent expressed their unawareness on this, whereas only 14 percent confirms in favour of it. Rest did not respond to the question.

11. Ever been misused or cheated with regard to credit card

78 percent of them have said that they are victim of either misuse or overcharging or cheating with regard to credit card payment, whereas only 22 percent said that they are.

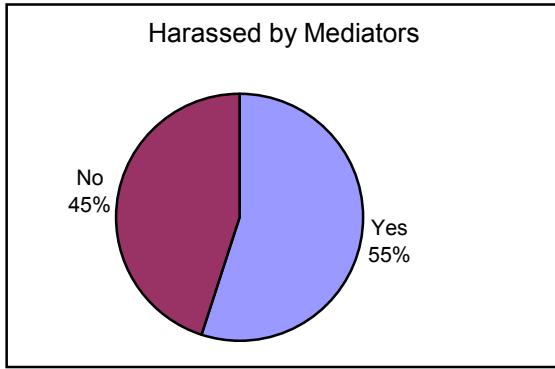


12. Victim of any misdeeds in other financial services, other than banks



In continuation of previous question, 75 percent said that they are victim to other investment abuse but 25 percent said that they have not faced any such thing till now.

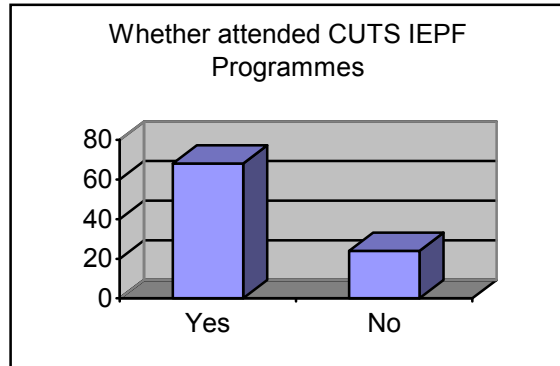
13. Ever been harassed by mediator/broker/recovery agents in any financial services



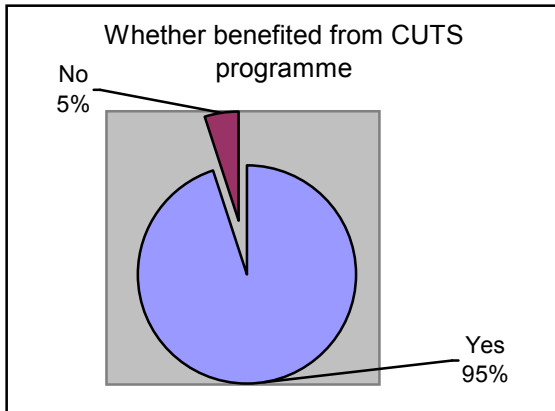
55 percent of the total respondents said that they have faced agony and harassment by mediator or recovery agent or broker. Only 45 percent said that they have not.

14. Ever attended CUTS Investor Education and Protection Programmes

With regard to the question related to attending in any of the CUTS Investor Education and Protection Programme, 68 percent of the total respondent said that they have not participated in any CUTS such programmes, whereas 24 percent said that they have.



14.1. Whether benefited from the such programme



Out of the respondents, who have said that they have attended CUTS IEPF programmes, 95 percent of them have said that they have been benefited but 5percent said that they are not. Rest did not respond.