Do Indian financial firms have a robust Grievance Redress Framework in place?

No. 365
10-January-2022

Vimal Balasubramaniam, Renuka Sane, Mithila Sarah and Karthik Suresh

National Institute of Public Finance and Policy
New Delhi

Do Indian financial firms have a robust Grievance Redress Framework in place?

Vimal Balasubramaniam[*] Renuka Sane Mithila Sarah
Karthik Suresh[†]

13th December 2021

Abstract

A rapid expansion in the Indian financial sector has necessitated a growing focus on improving customer service which also includes the delivery of a robust Grievance Redressal Mechanism (GRM). A GRM is a formal system through which complaints are resolved in a time-bound manner, thus improving public service delivery in the financial system. This paper assesses the GRM policy content that is available on the website of 21 financial service providers in India. The firms include the top three firms by market share in each sector - banking, insurance, pensions, payments, mutual funds, and brokerages. Financial firms differ in their performance across different metrics, highlighting areas for improvement with grievance redress processes with financial services providers (FSP).

[*]Vimal (v.balasubramaniam@qmul.ac.uk) is a faculty at Queen Mary University of London

[†]Renuka Sane(renuka.sane@nipfp.org.in), Mithila Sarah (mithila.sarah@nipfp.org.in,) and Karthik Suresh (mailkarthiksuresh@gmail.com) are researchers at NIPFP. We thank Sudipto Banerjee, Aditi Dimri, Ananya Goyal, Karan Gulati, Smriti Parsheera and Srishti Sharma for their valuable inputs.

Contents

1 Introduction

A Grievance Redressal Mechanism (GRM) is a formal system through which complaints are resolved in a time-bound manner, thus improving public service delivery in the financial system. A clear and sound GRM system that puts the customer's interests first and resolves complaints satisfactorily is essential towards the maintenance of this trust (Chapman & Mazer, 2013; Sahoo & Sane, 2012; World Bank, 2019). Such a system is particularly important in the financial sector given the information asymmetry between firms and consumers, and the long time horizons over which financial products unfold. For example, in India the Reserve Bank of India (RBI) has seen increased complaints against banks, Non-Banking Financial Companies (NBFC), and digital transactions in recent times (Reserve Bank of India, 2021b). The Insurance Regulatory and Development Authority of India (IRDAI) also has noted similar increases in complaints against insurers (Insurance Regulatory and Development Authority of India, 2020). This issue is not unique to India. In the United States of America (USA), studies have noted widespread customer dissatisfaction in the insurance industry, stemming from poor service design and delivery (Cooper & Frank, 2001; Wells & Stafford, 1995). In the United Kingdom (UK) widespread insurance and pensions abuse and fraud was a major driver for the setting up of the erstwhile Financial Services Authority (United Kingdom House of Lords and House of Commons, 1999).

Financial markets across the world have put in place regulatory mechanisms to address consumer complaints. In India, GRMs in the financial sector work at two levels: (i) at the level of the regulator, and (ii) at the level of the firm. Among the regulators, the RBI mandates every bank to have an Internal Ombudsman and Banking Ombudsman. The Banking Ombudsman is an independent authority with powers to settle complaints up to a value of INR 2 million. The RBI also has Ombudsman for NBFC and Digital Ombudsman (for payment services, etc.) The IRDAI regulates the office of Insurance Ombudsman who hears and settles complaints up to a value of INR 2 million. The Pensions Ombudsman is appointed by the Pension Fund Regulatory and Development Authority (PFRDA) who can settle complaints, with complaints above the value of INR 1 million being subject to confirmation from PFRDA. The Securities and Exchange Board of India (SEBI), unlike the other Indian financial regulators, does not house an office of Ombudsman. Instead, they have a complaint follow-up system called SCORES which liaises with individual firms regarding the status of the complaint. However, in the case of *all* the regulators, the rules make it compulsory that the complaint must first be filed with the Financial Service Provider (FSP). Only when the FSP has failed to act on a complaint within a given time (30 days in the case of all Ombudsmen/SCORES across all the regulators) or has not resolved it to the satisfaction of the consumer, can the consumer escalate the complaint to the Ombudsman or SCORES as the case may be.

It becomes important to study the grievance redress procedures within Indian FSPs. If firms address complaints promptly on time to the customer's satisfaction, it would not only improve the reputation of the firm with the customer but also help maintain customer confidence and trust. There are two ways to evaluate a GRM. One, we could evaluate the theoretical process of the mechanism i.e. to evaluate the policy which describes the mechanism. Second we could evaluate the practical working of the mechanism, that is to evaluate the actual process of grievance redress.

In this paper we use the first method of evaluation, that is we evaluate GRM policies of the firms by assessing the policy content quantitatively. While the content of the policy doesn't capture the actual process of GRM at each of these firms, it helps understand how the firms signal to their existing or potential customers about their redress system through their policies and related information. It is useful to evaluate this information as it is using this that we can hold the company accountable on its process.

Our process of evaluation is as follows. We first evaluate if adequate information about the process is available in their policy. This includes checking if the policy is made available to the public and if available, is it easily accessible in terms of retrieval and readability. We study if the process is explained in detail with special focus on total time for redress, levels and escalations, point of contact. We also study if any additional information is available to supplement better understanding of the firms performance in grievance redress. Second, based on this information retrieved we then estimate the goodness of the mechanism.

We create a novel database by quantitatively assessing the policy content of the FSPs which include top three firms among public banks, private banks, small finance banks, payment services, life insurance companies, mutual fund and stockbrokers. We employ eleven metrics to judge the content of the policy. Each of these metrics take a numeric value by which the firms are ranked (more details in section 2). The policies of the FSPs are evaluated as of September 2021.

We find that in terms of having a clear documented information, most of the firms in the study do provide a detailed policy, however, all mutual fund companies and stockbrokers provide very little to no information on their GRM. In terms of retrieval of the information, it is easily accessible for almost all firms. However, in terms of readability almost all the firms perform poorly. Majority of the firms tend to have complicated procedures with lengthy timeline and numerous levels for grievance redress. In terms of supplemental information, mutual fund firms tend to do better over the others. Overall firms vary in their performance across various metrics with no uniform trend.

To the best of our knowledge, this is the first study which conducts a detailed analysis of the FSPs' policies on customer grievances. By using objective metrics, we assess the the policy content of the GRM of each firm.

Our research connects to a body of work on evaluating customer experiences and systems of redress in financial markets. One example is a comparison with good practices followed by the regulators of developed jurisdictions (Srinivas, 2017). The need for Online Dispute Resolution (ODR)-based solutions has also been explored (Chivukula, 2021; Chivukula, Prasad & Chugh, 2021; Narain & Parsheera, 2021). The role of the consumer courts has also been studied (Gulati & Sane, 2021). Another recent, multi-organisational report looked at how customer grievances with banks and failure of redress mechanisms affected the delivery of entitlements during the wave of Covid lockdowns in 2020 in India (Dvara Research, Gram Vaani, IIT Delhi, Tika Vaani and University of Montreal, 2021). Issues have also been found with Aadhar-linked AePS systems which existing bank grievance redress mechanisms were unable to adequately address (Raghavan, 2020). With the increasing use of social media to make complaints to FSPs, one study has taken a look at the use of Twitter by Indian users to make complaints about banks (Balasubramaniam, Biswas, Sane & Sarah, 2020). There are also studies that evaluate the role of regulators in financial grievance redress system (Gulati & Suresh, 2021).

The rest of this paper is organised as follows: section 2 explains the methodology, including the constraints and limitations of our analysis, and section 3 the results from our findings. section 4 concludes with a description of how this study of GRMs may help improve policies adopted by FSPs in India.

2 Methodology

The main objective of the paper is to quantitatively assess the content of GRM of each firm and draw comparisons across the different firms. The scope of this paper is limited to the online space and therefore we assess the GRM as is available on the website of these firms.

2.1 Selection of firms

This paper studies the GRM of 21 firms that have the highest market share in the financial sector they belong to. In selecting the firms we employ the selective sampling method where the top 3 firms in each category of financial service have been selected. Market shares for banks have been defined based on the size of deposits held as of March 31, 2020.[1] In the insurance sector we have focused only on the life insurance segment and the firms have been chosen based on the gross life insurance premium underwritten.[2] The top three mutual

[1] Statistical Tables Relating to Banks in India- Table 1. Liabilities and Assets of Scheduled Commercial Banks (Tables based on Annual Accounts)

[2] The gross insurance premium underwritten for the firms is taken from their individual annual reports for FY 2020.

fund asset management companies are chosen based on their assets under management as of March 31, 2020.[3] The top three stockbrokers are chosen based on the number of clients with active Unique Client Code (UCC).[4] Payment service firms have been chosen based on the number of customer-initiated Unified Payments Interface (UPI) transactions by value for the month of April 2021.[5]

Table 1 Details of the sample firms

Sector	**Firms selected**	**Total no. of firms in the sector**	**Market share(%)**
Public Banks	SBI, Bank of Baroda, Punjab National Bank	12	51
Private Banks	ICICI, HDFC, Axis Bank	22	56
Small Finance Banks	AU, Equitas, Ujjivan	10	61
Payment service	Paytm, Google Pay, PhonePe	51	83
Life Insurance	HDFC Life, SBI Life, LIC	24	75
Mutual Fund	HDFC, ICICI, SBI	41	39
Stockbrokers	HDFC, ICICI, Sharekhan	316	28

2.2 Metrics for evaluating GRM

The metrics for evaluating the policies of the firms have been based on i) guiding principles on what constitutes a good GRM, and ii) similar studies that assess other kinds of policies. Each metric carries a range of numeric scores, which is then assigned to the firms. This section explains in detail the working and rationale of the metrics and how each metric is scored.

[3]Morningstar — average assets under management
[4]National Stock Exchange — list of complaints against UCC of active clients.
[5]NPCI - UPI ecosystem statistics

2.2.1 Existence of a clearly defined policy

The success of GRM can be attributed to its public awareness and utilization. Public knowledge of the GRM is essential for the mechanism to be trusted and well used (UNDP, 2017) and therefore it is important to assess if the firm has provided a clear and known procedure with indicative timeframes and levels of escalation and roles of corresponding parties. We, therefore, check for the existence of the GRM policy as provided by the firm.

We define "policy" as one which describes the process and roles of all the stakeholders involved in facilitating systematic grievance redress. This includes directing the complainant to some form of communication channel or person to whom they can file a complaint and also the mechanism or steps undertaken by the FSP to resolve the complaint. Such a policy usually entails other details about the redress procedure which equips the consumers with sufficient knowledge and enables them with the choice to pursue the process in case of grievance. This includes turnaround time, point of contact at different levels, etc.

It is important to distinguish betwen what is "policy", and what is "information". We mark a policy as one that *outlines the actions taken by a complainant and the reciprocatory course of action by the firm.* We do not accept as "policy" a web page which only provides details of some person or other modes of communication which the customer can access to file a complaint. For such web pages, we use the term "information" relating to GRM.

For example, State Bank of India (SBI) and SBI Mutual Fund provide different types of information on their respective grievance redress mechanism. While the bank provides what we have defined as a policy, SBI Mutual Fund (MF) provides information that merely mentions what the customer is supposed to do in case of complaints. In other words, it provides "information" on how to complain. The scores for this metric take the value '1' if there is a policy and '0' otherwise.

Nevertheless, we continue to assess the firms that do not have a policy and only provide information. We retain these firms throughout our analysis and employ the other metrics which have been detailed below in this section.

2.2.2 Ease of accessing the GRM

To understand a GRM, the GRM should be easily accessible by its intended users. This paper looks at the ease with which its users can locate the GRM on the website of the firm. There are two components to assess the accessibility of a GRM and they are detailed below:

1. *Location of GRM on the website*: One of the ways to access a GRM policy is to locate it manually on the firm's website. The ease with which a GRM policy can be manually located depends on how deeply it is embedded on their website. A GRM policy that

is deeply embedded in the website necessitates more time and effort to locate the file and therefore precludes a customer from knowing and understanding the mechanism and therefore discourages seeking redress.

In a study of privacy policies on Indian websites, the paper employs the number of clicks taken to locate a privacy policy as an effective method to determine to accessibility of the policy (Bailey, Parsheera, Rahman & Sane, 2018). We use the same metric to gauge the ease of accessing the GRM policy. The scoring mechanism for this metric is the number of mouse clicks that are required to reach the destination folder of the policy. The higher the number of clicks the more difficult it is to access the policy.

Disclaimer: It is possible that this metric could bear different results to different users based on their knowledge and online navigation skills. As such this metric is subjective and to control the effect of subjectivity, we test results for multiple users and take the best result possible. Multiple people accessed the policies of all firms and recorded the number of clicks it took to access a given policy. The number of clicks for a firm was then chosen for the person that had the least number of clicks.

2. *Website search rank*: An alternate way to look for the GRM can also be through the search option on the website of the firms (internal site search functionality). Usually, search option is perceived to be a simple interface and is faster and easier than navigation especially when one can not ascertain where exactly to look for the GRM. While a lot of factors go into how search algorithms work, one of the aspects is the relevance and usability of the page. Firms have the ability to optimize the search results within their own website.

   Some firms may use Google's search engine to optimize results within their website, and some firms use their own page crawl mechanism to optimize search results based on the query. We take into consideration both kinds of search functions as long as the search bar is located within the website.

   This is a simple and effective metric to assess the ease of accessing the GRM. The scoring mechanism for this metric is the rank at which the search result appears on the search option on the firm's website. We search for the policy using the search terms being combinations of the words "grievance", "redress", "policy" and "complaint" in the search bar and note the rank of the relevant complaints page among the results. A higher search rank indicates a higher degree of difficulty in accessing the GRM.

   Disclaimer: It is possible that this metric could bear different results for different combinations of keywords. As such this metric is subjective and to control the effect of subjectivity, we test results for multiple combinations and take the best result possible. Multiple combination of keywords like "Grievance Redress Mechanism", "Grievance Redress Policy", "Grievance Redress" etc were used to look up for the policy of each firm on their respective website. The combination of words that provided the policy within the top most search results was then chosen as the rank for that firm. For example if two combinations of words — “Grievance Redress Policy” and “Grievance Redress” yieded search results at two and five for a firm, we choose two as the rank for the firm in this metric.

2.2.3 Readability of the policy/ information provided

Another key component in understanding the GRM is its intelligibility. For an intended user to make sense of the policy or information provided, it needs to be written clearly and cogently and in a medium that they are best suited to understand.

We employ a few of the parameters of readability which assess the accessibility of the GRM. In addition, these metrics can be considered to highlight the intrinsic willingness of the firms to increase the outreach of the policy.

1. *Number of Indian languages in which the policy is available*: Given that financial service providers discussed in this paper are offering services throughout India, it is reasonable to expect a customer base of speakers of different Indian languages. Therefore it is important that these policies are available in Indian languages and are accessible to a broad range of readership.
   As pointed out by (Bailey et al., 2018), only a quarter of the 125 million Indians who know English consider it as their first language. Hindi is recognised as a first language by less than half of the Indian population. There are 22 languages that are recognized by the Eighth Schedule of the Constitution of India and these are spoken across the different states. We assess if GRM policies or information are available in any of these 22 languages.
   The scoring mechanism for this metric is the number of languages in which the GRM policy/ information is made available by the FSPs. A higher number indicates greater accessibility.
2. *Reading ease*: Given that the policy is a manual for grievance redress mechanism, the content of the policy can get pretty technical and heavy with jargon from the financial industry. In such a scenario it is unreasonable to assume that every financial participant would be able to make sense of it completely. While it might not be possible for a GRM policy to be completely free of technicality, policy should be written in a way that enables all its customers and intended users to understand. The aim of any financial service provider should be then to make the policy as readable as possible and this means the use of simple languages and short sentences.
   There are several quantitative approaches to measure the readability of a text and are used in several studies to assess policies (Bailey et al., 2018). In this paper, we use the Flesch's Reading Ease (FRE) score (Flesch, 1948) to determine the readability of the GRM policies of several firms. Flesch Reading Ease focuses on the relationship of

average sentence length compared to the average number of syllables per word[6]. To put into perspective, FRE scores tend to follow the pattern shown in Table 2. The FRE scores take the value ranging between 0 and 100.

Table 2 Patterns of Reading Ease Scores (Flesch, 1948)

Reading Ease Score	**Description of style**	**Typical Magazine**	**Syllables per 100 words**	**Average Sentence Length in Words**
0 to 30	Very difficult	Scientific	192 or more	29 or more
30 to 50	Difficult	Academic	167	25
50 to 60	Fairly difficult	Quality	155	21
60 to 70	Standard	Digests	147	17
70 to 80	Fairly easy	Slick-fiction	139	14
80 to 90	Easy	Pulp-fiction	131	11
90 to 100	Very easy	Comics	123 or less	8 or less

The scoring mechanism for this study is such that firms take the value 1-7 for the reading levels (column two in Table 2) from Very difficult to Very easy.

3. *Number of acronyms expanded*: A common trend in GRM policy documents or information pages is the repeated use of technical acronyms. For example, while a few acronyms like "RBI" and "SEBI" would be familiar to the informed Indian financial consumer, the same consumer may not know what "BCSBI" means. While using acronyms for terms that appear often makes writing the policy easier, the best practice would be to provide an index for these acronyms. Since the readability test is not able to capture this problem, we manually check for the acronyms in each policy and calculate the proportion of the acronyms that have been expanded in the policy/information provided. What this measures is the extent of the firm's willingness in making the policy less abstruse and thereby increase readability for the customers.
The scoring mechanism of this metric is such that the score is equal to the ratio of the number of acronyms expanded to the total number of acronyms. Therefore, the score takes a value between 0 and 1.

2.2.4 Clear and known procedure

The most integral part of a GRM is the procedure regarding how the complaints are handled by the financial service provider. It is essential that users are able to understand what to expect from the process. This includes the steps, the timeline, the scope of the mechanism and the contact points in the firm that a customer would be required to deal with. We use

[6] Flesch Reading Ease is calculated as $206.835 - (1.015 * ASL) - (84.6 * (Nsy/Nw))$, where ASL is the Average Sentence Length: number of words/number of sentences, Nsy is the number of syllables and Nw is the number of words. We do this by downloading all the policies that are available in PDF format and processing them into machine-readable text. We then use the quanteda package's textstat_readability function in R to calculate the FRE score.

a three-part metric to assess if the policy documents this procedure.

1. *Number of levels in the complaints system*: This indicates the different levels in the organisation for redress of the complaints. This includes the first point of contact in the system where the complaint is lodged first and the subsequent matrix of levels that a customer would have to go through in case of escalations. The willingness of customers to pursue a GRM can be expected to be proportional to the ease of the process. A multi-level mechanism will discourage customers in expectation of a lengthy process to find a resolution. An ideal structure for dispute resolution mechanism should be a lean mechanism with minimum levels of escalation. This metric, therefore, measures the total number of escalations within a firm, customers have to go through excluding ombudsmen.

   The scoring mechanism for this metric is the total number of levels in the GRM process. A greater number of levels indicates a cumbersome and tiresome process which could be discouraging for customers to pursue.
2. *Maximum number of days*: Another important guideline for ideal complaint management is to establish a clear timeframe for each step or stage of the process. This is another indication of how quick or how tedious a process can be and help customers make an informed decision to pursue a grievance redress system. This metric measures the total number of days it takes to resolve the grievance as mentioned in the GRM, across different levels. This essentially translates to a maximum number of days a firm can take in resolving a complaint if the complaint were to go through all the levels in the mechanism before it comes under the Ombudsman's purview.

   The scoring mechanism for this metric is the maximum total number of days it takes for the entire process of grievance redress as mentioned in the policy. Greater number of days indicates a cumbersome and tiresome process which could be discouraging for customers to pursue.
3. *Clear mention of point of contact*: An ideal dispute resolution mechanism is a mechanism where the roles and responsibilities of the concerned authorities are clearly mentioned. Defining a grievance redress process with the information of the authority concerned with the redressal at each level of the process gives a sense of accountability of the mechanism which helps build the trust and confidence of the customers. For example, a firm could merely mention the channel (customer support number or complaints registration links) through which complaints can be registered or the firm could explicitly mention the point of contact at the level which deals with the grievance redressal (Nodal officer, name of the concerned officer, etc). We check if this information is provided to the customers through the policy/ information. This information equips the customer with a prior knowledge of whom they are expected to deal with and this gives them a better understanding of the process.

   The scoring mechanism for this metric is a score equal to the ratio of the number of levels where the information of the concerned authority has been given to a total number of levels of escalation. The score takes a value between 0 and 1.

2.2.5 Disclosures

Disclosures play an important role in increasing consumer awareness and protection in the financial market. Appropriate and timely release of information relating to the number and nature of customer complaints and the timeliness of the redress provided aids customers in differentiating among the various financial services they can avail. The last series of metrics checks if these important information is provided by the firms. A point to be noted here is that we do not expect this information to be provided in the GRM policy but has been put up by the FSP anywhere on their website which is under the scope of this study.

1. *Categorization of complaints*: A granular form of disclosure is the information on the volume and nature of complaints received by the firms. These disclosures offer greater insight into the quality of products and services a firm offers and equips a customer with the information to decide on availing of the products and services. When firms publish details about the major categories of complaints they receive, it provides information to existing customers about common issues faced by other customers as a class. The existing customer can accordingly make informed decisions about using the financial service since they have some idea of where the major service deficiencies lie. Sharing data on complaint categories also acts as a signal for new customers who wish to analyse the expected quality of service before subscribing to the financial services.
   This metric checks if the information of complaints is provided by the firm. The scores for this metric take the value '1' if there is information on the complaints and '0' otherwise.
2. *Complaint time analysis*: Connected to disclosures is the information on the time analysis of the complaints recieved by the firm. This may include from an average turnaround time of redress to number of complaints recieved in a year to number of complaints redressed or pending to be redressed at the end of the year. This gives an understanding into the grievance redress process of the firm. This metric checks if the information on time analysis of complaints is provided by the firm.
   The scores for this metric take the value '1' if there is information on the time analysis of complaints and '0' otherwise.

2.3 Limitations and disclaimer

The study is based on the information acquired from the firm's website and therefore is limited to the information regarding GRM available online and doesn't study any content or policy that is provided in their physical offices. Additionally, information acquired is also the information that is available to the general public and we do not have access to the information available to its patrons (especially a complainant). As a result, we are unable to evaluate the firms for matters related to the GRM:

1. if the policy is adequately advertised and communicated to its customers
2. access of the policy through other channels like the mobile app

It should also be noted that while policies and information regarding GRM might be available in other Indian languages, all the metrics are designed to test the policies only in English.

We also acknowledge that some of the metrics employed in this study are subjective and can bear different results with different approaches. To reduce the impact of subjectivity, we have tested different approaches and have chosen the best result possible.

The results recorded in this paper are as of September 30th of 2021. Any changes made by the firms after that will not be reflected in the study.

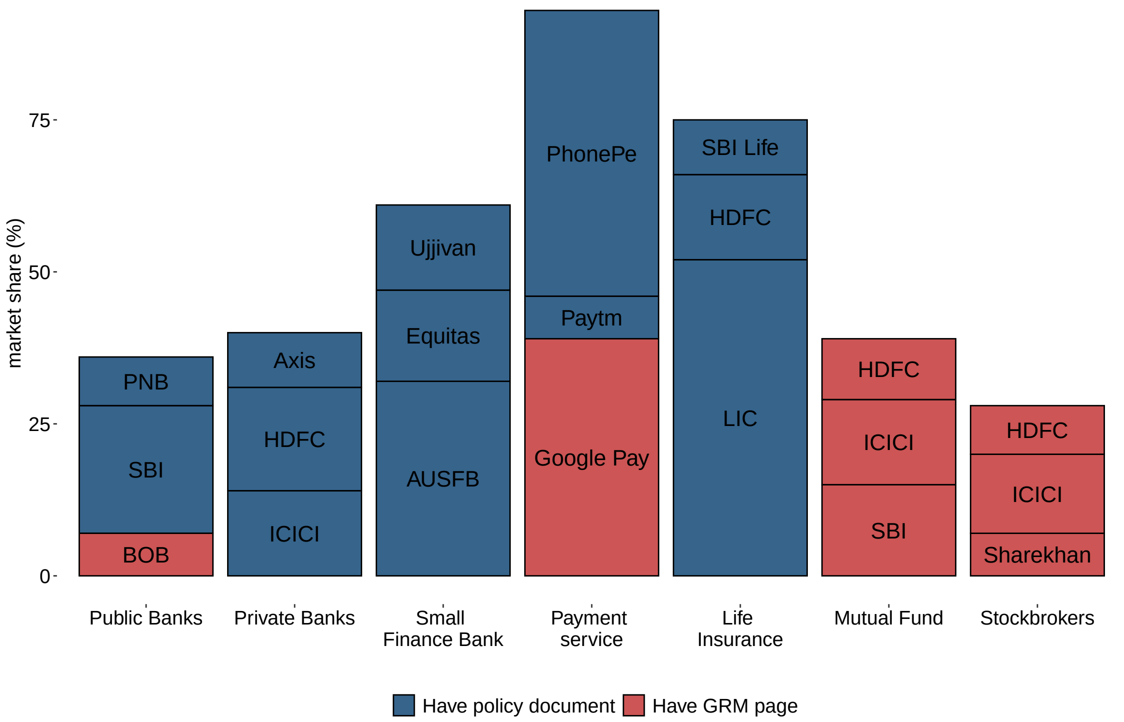
3 Results

We assess the GRM of 21 firms by the content of their GRM policy based on the metrics discussed in the above section.

3.1 Existence of a clearly defined GRM policy

Figure 1 How many firms have a policy document?

The figure presents how many firms provide detailed information of their GRM, usually in a document format (can also be a webpage but with details on the roles of both fsp and complainant) vs. how many firms have only a web page to register complaints.



Financial service providers should inform their customers about the working of their grievance redress mechanism. As pointed out in the limitations, it is not possible for us to assess if firms adequately inform customers about their GRM, and therefore as the closest substitute, we check if this information is available in the form of a policy. As can be seen in Figure 1, thirteen out of the twenty-one firms have a policy document.

In Section 2, a GRM policy is defined as a course of action adopted by both complainant and the FSP. Typically a policy would provide additional information which may not necessarily be needed to file a complaint but helps in understanding the entire process. The additional information is an indication of the proactiveness of the firms in educating its customers. Such detailed reporting builds customer confidence in the system.

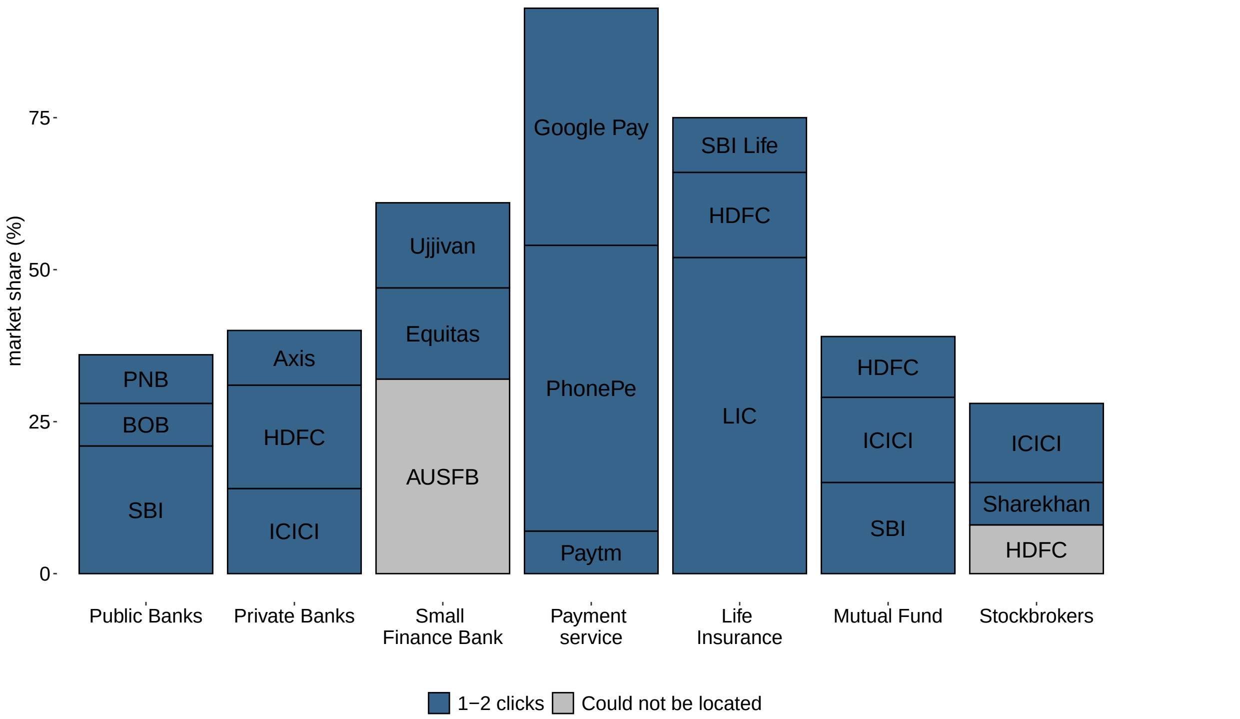
Additionally, as mentioned earlier, for the firms which do not have a defined policy, we went through the webpage on complaint system which provides information relating to how a customer can address their grievances. For example, firms like Bank of Baroda, SBI Mutual Fund, etc. do not have a defined GRM policy but have provided information regarding details of escalation matrix and contact details for each level in the matrix.

Some firms do not even provide information on the procedure to file complaints. What they provide is a page with information details that can be used to contact them for inquiries. However, it is unclear if it can be used for complaining e.g. Sharekhan has a chatbox and form which could be used for complaints but the website does not specify as such. They have provided helpline numbers and email IDs where the customer could share their grievance. But there is no clearly defined GRM policy. Sharekhan only provides a link to the SCORES platform on its website.

3.2 Ease of accessing the GRM

Figure 2 How easily accessible is the policy on the firm's webpage?

The figure presents how many clicks it takes from the homepage of the firm's website to the page where the GRM document/complaints page is. It should be noted that "Could not be located" doesn't mean the GRM page or document is not available. It simply means we could not find the location of the document.

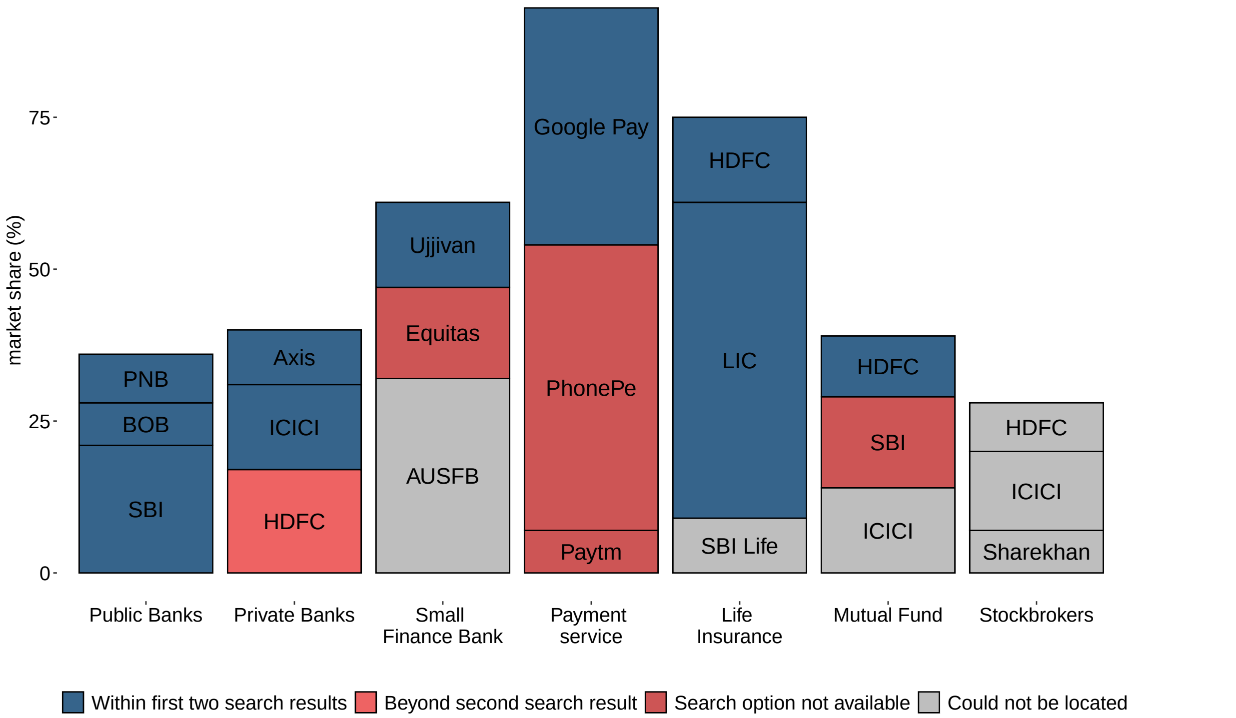


Location of policy on website Of the twenty-one firms whose GRMs we studied, we saw that thirteen firms have clearly defined and laid out GRM policies. We noted the ease of accessing the policy from the home page of the FSP based on number of clicks required to reach the page with GRM policy/ information.

With 19 firms, the GRM details could be located within two clicks. However, the paths towards the storage locations of the GRM page are not straightforward for many. This demands an effort on the customer's side to locate the policy and therefore make it more inaccessible. For e.g. HDFC Bank's GRM policy was found under the category 'unparliamentary language by customers', and not under 'complaints' or 'contact us'. In the case of two firms, we could not locate the GRM page from the home page of the FSP at all.

Figure 3 How easily accessible is the GRM policy/ information through the search option?

The figure presents the rank at which the GRM policy or the complaints information page is available through the search option of the webpage. The search terms used were combinations of the words "grievance", "redress", "policy" and "complaint". In this case "Could not be located" means the GRM page or document doesn't appear with the key search words mentioned.



Website search rank To mitigate the issues relating to site navigation, the FSP can ensure that the policies can easily be found through the search box. In some cases, the webpage has its own crawl function, but in some others, Google provides its proprietary crawl function to list the search results. While searching for policies of the twenty-one firms we observe that only ten out of twenty-one firms appear within the first two search results.

Some of the web pages of the other FSPs have set the on-site search criteria very broadly. For example: in the case of HDFC Bank, the search for 'grievance redress policy' returns all items that contain the word 'policy' or 'grievance', while the actual policy does not appear on the results page.

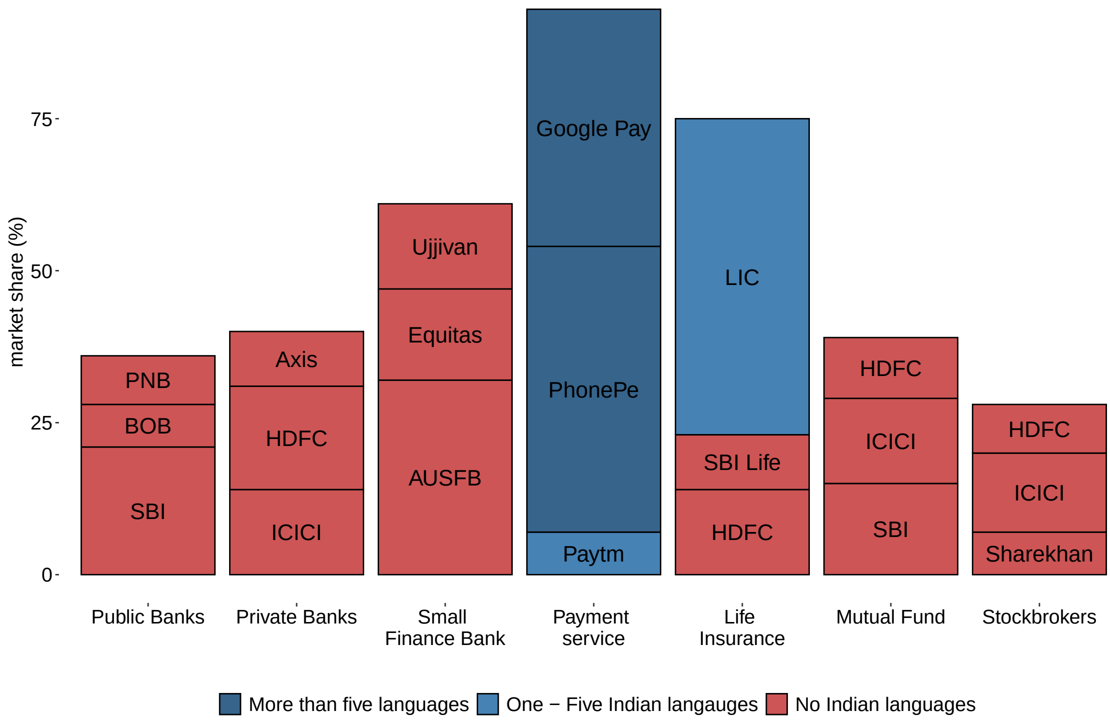
Another observation, in the case of Bank of Baroda (BOB), was that the result varied with an addition of one word of the search query. That is a search for 'grievance redress' gives you a result as the first option, but a search for 'grievance redress policy' gives a result as the 5th option. Similarly, in the case of Punjab National Bank, only the query 'grievance redressal policy' returns the policy but the query 'grievance redress policy' does not. The likely reason for this is that the search algorithm does not accommodate an imperfect input (i.e. search query needs to match the exact filename) and thereby making the search option infeasible for easy access to the policy.

The biggest limitation for some of the firms is that their websites do not have a search option, and thereby preventing customers to access the GRM.

3.3 Readability of the policy/ information

Figure 4 Number of languages in which the policy of the firm is available

The figure presents the number of Indian languages (other than English) in which the policy or information regarding GRM is available on the website of the firms.



Number of Indian languages in which the policy/information is available India has made significant strides in financial inclusion with the proliferation of bank branches and other financial services spread across the length and breadth of the country. With such outreach of financial services, it is expected that these services are inclusive and would be available in Indian local languages.

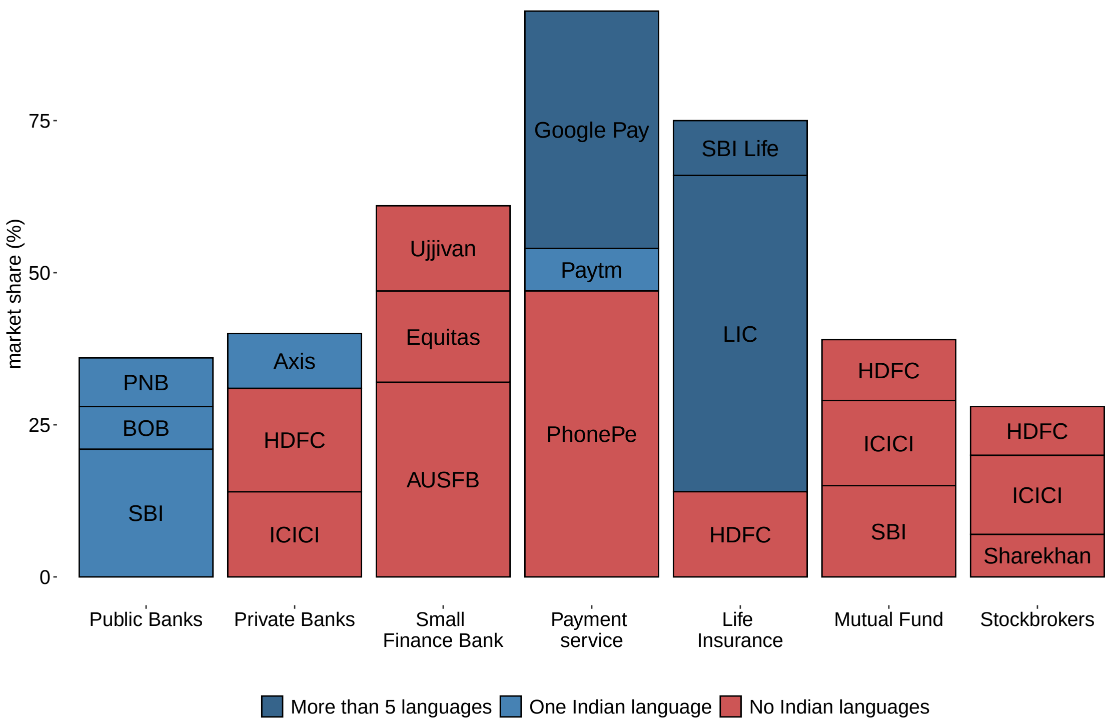
It could be the case that customers might be able to access services in their local languages in person, but it is equally important for the digital space to provide financial services in the Indian languages as well.

We note that only four out of the twenty-one firms have their policies in languages other than English. Phone pe provides its policy in the highest number (ten) of languages (Assamese, Bengali, Gujarati, Hindi, Kannada, Malayalam, Marathi, Oriya, Telugu and Tamil), followed by Google pay which provides its policy in six languages (Bengali, Gujarati, Hindi, Kannada, Telugu and Tamil). Paytm provides its policy in three languages (Bengali, Hindi and Marathi) while LIC provides in two languages (Hindi and Marathi).

The primary focus of this study is to see if the GRM policy is available in other Indian languages. However, to be able to access the GRM policy in local languages it is also important for the websites of these firms to be available in other Indian local languages to navigate through. In this pursuit, we also check in how many languages is the website of these 21 firms available.

Figure 5 Number of languages in which the website of the firm is available

The figure presents the number of Indian languages (other than English) in which the website is available. To access the GRM policy/ information in local languages it is also important for the websites of these firms to be available in other Indian local languages to navigate through.

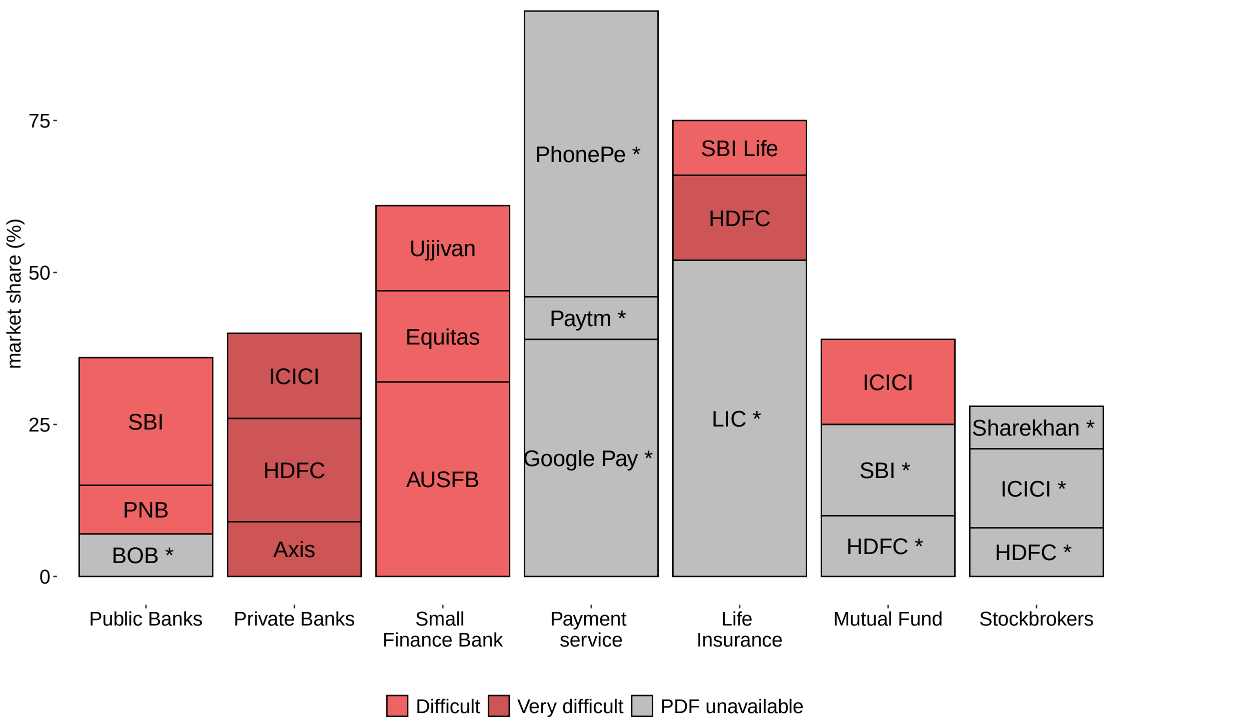


We note that out of the twenty-one firms, only eight have a website in a language other than English. And most of these eight firms have a Hindi version of the website. Of these, five are public sector life insurance and banking firms which have a legal obligation under the Official Languages Act, 1963 to provide material in Hindi. Among the private sector banks, only one provides services in Hindi.

While it is noteworthy that SBI Life makes a provision for its website to be available in 9 Indian languages, it should be noted that with a choice of a different language most of the website still appears in English and is not necessarily beneficial in locating the GRM policy. Google pay also makes its website available in nine languages, however it actually covers each content in the preferred language and thus can be helpful for customers preferring these languages to access the policy. Similarly, LIC also provides its website in two languages completely which can be useful.

Figure 6 Reading ease

The picture presents the ease with which the policy can be read, using the Flesch Reading Ease score. Some of the firms have their policy in PDF format. The other firms have their policy in the format of a webpage. The format of these pages are not compatible for a reading test in the R software and therefore are not assessed for their readability.

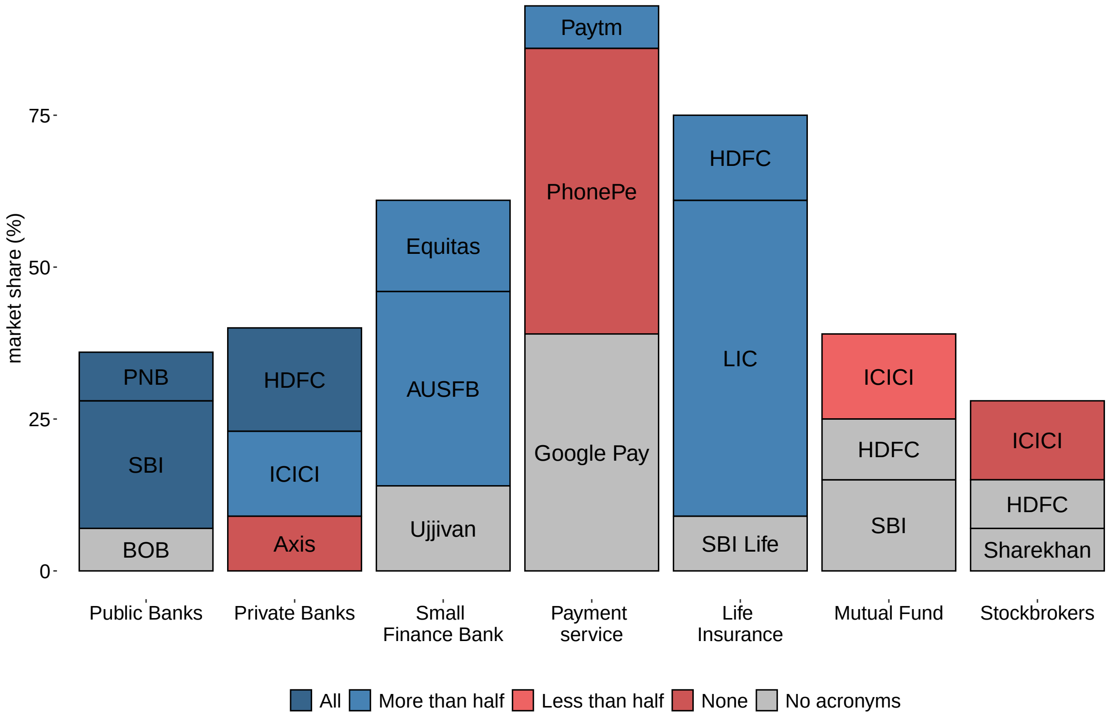


Reading ease Readability is an application of mathematics that typically calculates sentence length and syllable density to approximate how readable a document is. It helps in perfecting the document such that it can help readers increase their retention, comprehension and speed of reading.

Using the Flesch Reading Ease score, the readability of all the policies falls in the range of 'difficult' to 'very difficult', thus highlighting the difficulty in reading these GRM policies. Ten firms do not have a PDF version of their policies and instead have web pages. The format of these pages are not compatible for a reading test in the R software and therefore are not assessed for their readability.[7]

Figure 7 How many acronyms have been expanded?

The figure presents the number of acronyms that have been spelled-out in the policy/ information, making it more readable. And therefore, an accessible policy is a policy with minimal and clearly defined acronyms.



Number of acronyms expanded The use of acronyms in writing a policy is reasonable if a long-phrase is expected to be used frequently. However, the rule of thumb in using acronyms is to always introduce the acronym before using it throughout the policy. While checking for acronyms in the GRM policies of the twenty-one firms, most of the firms that use acronyms have expanded all or most of them thus making it easier for the readers to understand the policy. Four firms expanded the acronyms of only half or less than half of the terms they use. It is observed that eight firms out of the twenty-one do not use any acronyms throughout the policy, making it less abstruse.

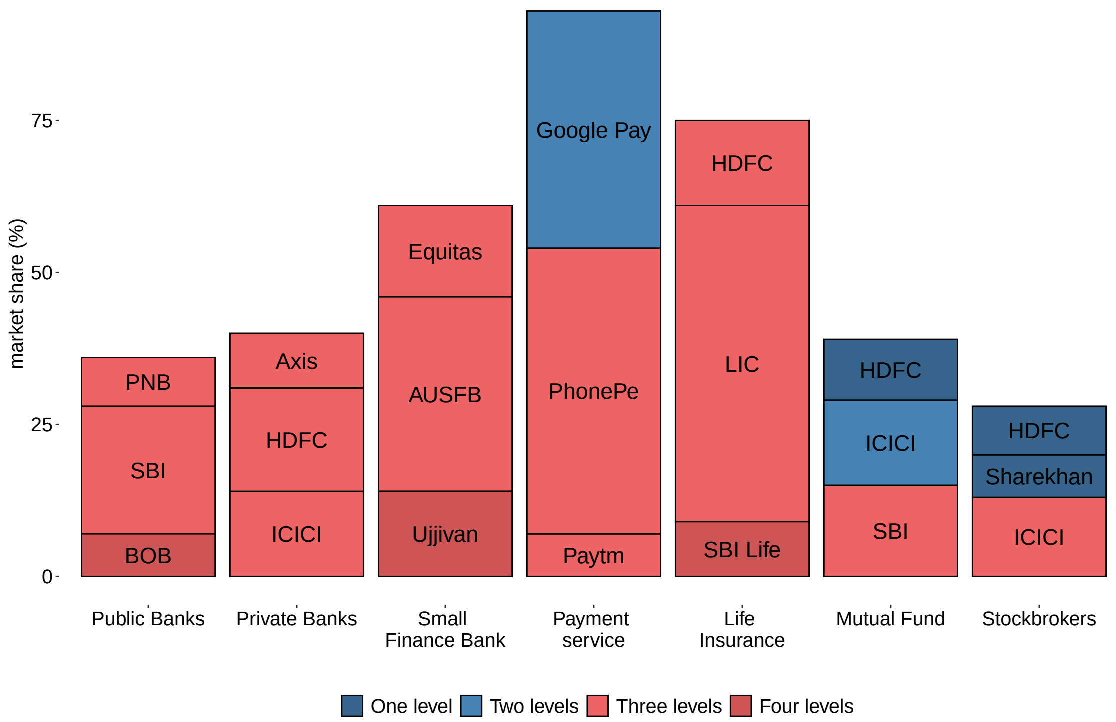
3.4 Clear and known procedure

As discussed in section 2 the procedure adopted by the GRM should be clear and easy to follow for the customer. We measure this using three metrics:

[7] Alternatively, the webpages can be saved in a PDF format and be tested for reading ease, however, this will not be same as a policy which is originally available in PDF. Therefore it could put some of the firms at a disadvantage. For example webpages when saved as PDF contain other information unrelated to the GRM saved which can give a result that indicates higher degree of difficulty in reading.

Figure 8 How many levels are there in the dispute resolution system?

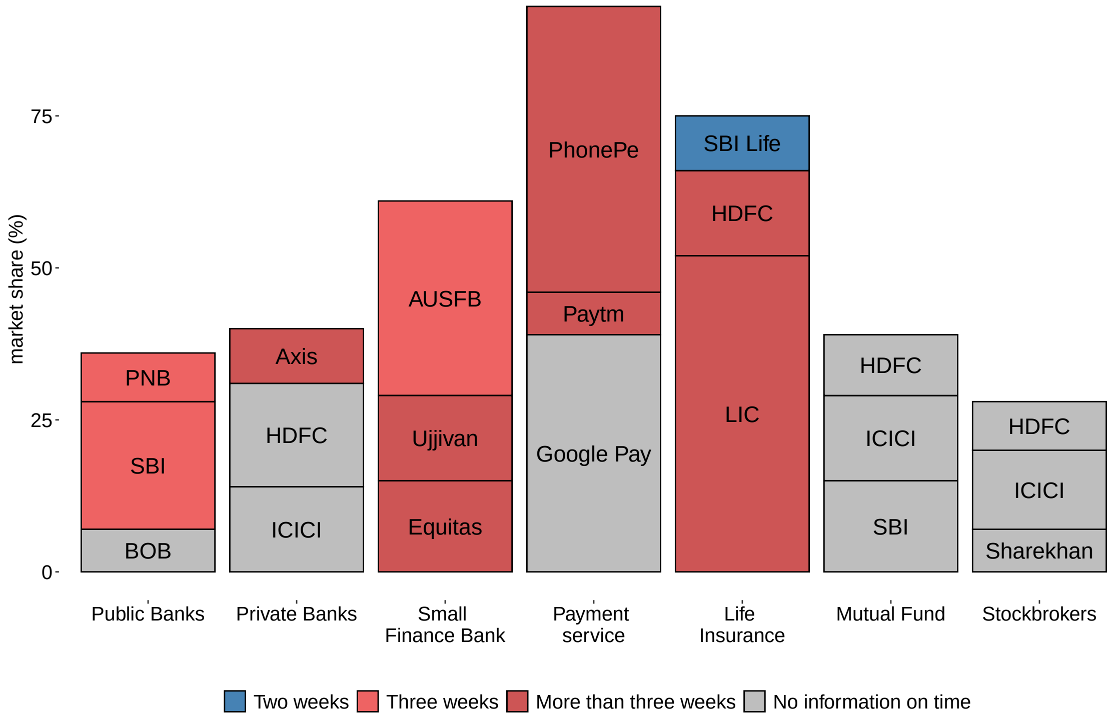
The figure presents the maximum number of different levels a customer has to go through in a firm for his/her grievance to be resolved. This doesn't mean all the grievances need to go through all of the levels to be resolved. The number indicates the maximum number of levels a customer has to go through within the firm in case of dissatisfaction or no redress before one can approach the Internal Ombudsman.



Number of levels in the complaints system Most of the firms require customers to go through a lengthy process in case of an unsatisfactory response. This requires time and effort on the customer's behalf to follow through. A multi-tiered structure shows inefficiency in the system as the complaint has to go through different levels before a complainant can approach the ombudsman or the appellate authority.

Figure 9 How many days does it take for the entire process?

The figure presents the maximum number of days a firm mentions in its policy for it to resolve a complaint. This includes the days it takes to go through various levels in case of an escalation. This doesn't mean that every complaint will take these many days. This means the maximum number of days the firm will take to give a response before the customer can approach the Internal Ombudsman in case of dissatisfaction or no resolution.

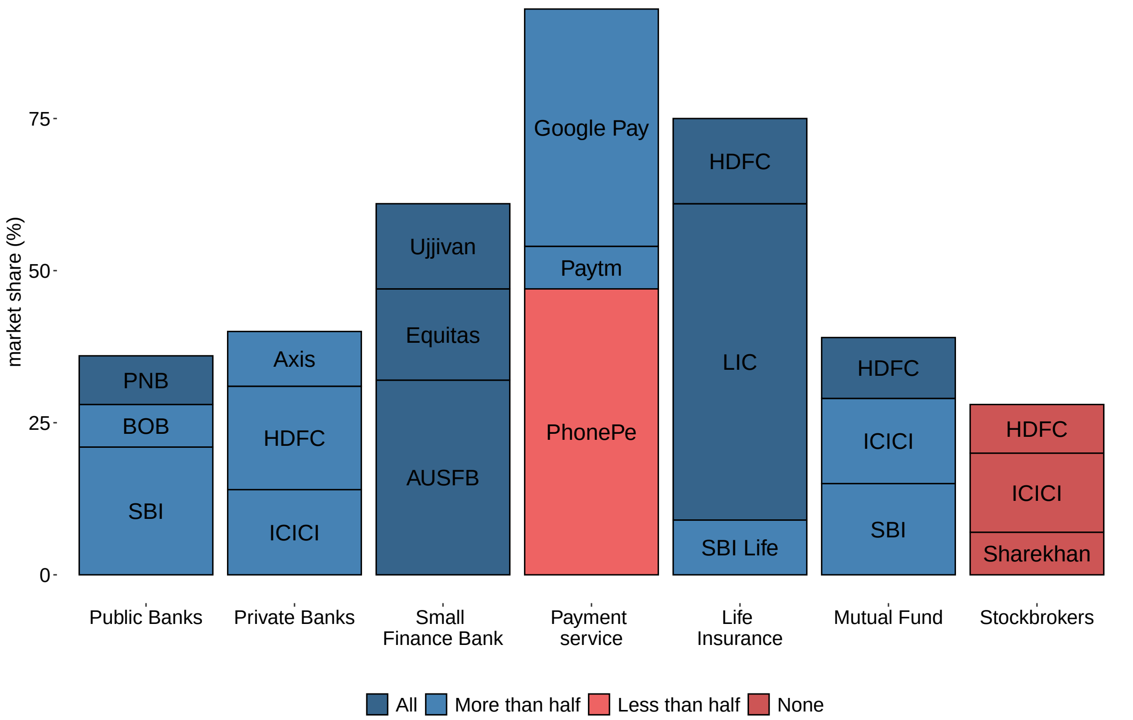


Maximum number of days Mentioning the number of days provides clarity to the customer on how long it would take to resolve the grievance. This helps the customer adjust their expectations and demand accountability if the time limit has been breached.

Ten out of twenty-one firms do not provide details of the time taken at each level of redress at all. Only one firm has set target times for turnaround as less than two weeks as the total for all levels of the GRM process. The remaining firms have turnaround times of more than two weeks for all levels of the GRM process.

Figure 10 At how many levels have the contact details been mentioned?

The figure presents the number of levels within an escalation matrix where the contact details of the official to be contacted in case of a grievance is mentioned in the policy document or the complaints web page.



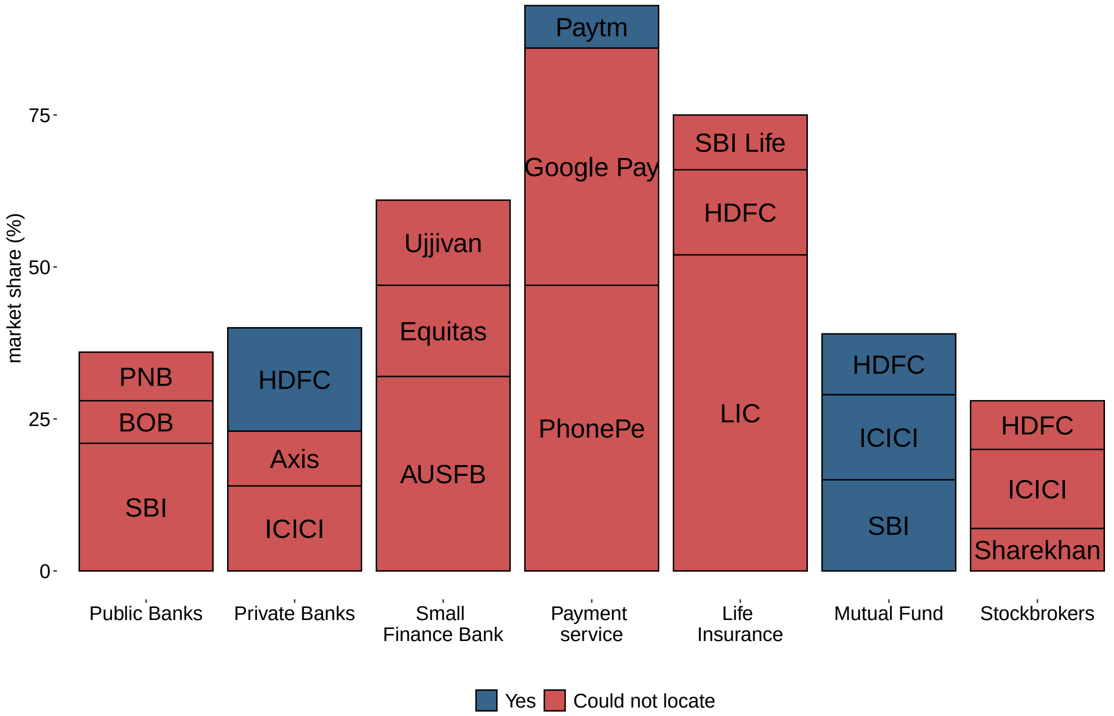
Clear mention of point of contact Often, the customer is directed to contact a specific number or email ID to be able to resolve the complaint. However, when the name or designation of a specific official is provided, the customer is aware and clear about whom they should contact and who is ultimately responsible for the redress of their complaint. Most of the firms do provide details of specific individuals or designations they can contact at the higher levels of the GRM process. But none of the stockbroking firms do so.

3.5 Disclosures

Disclosures provide insight not only into the quality of grievance redress mechanism of the FSPs but also into the products and services provided by the FSPs. The categorization of complaints provides insights into the common complaints that customers face and the time analysis helps customers assess the quickness of the FSP in resolving complaints.

Figure 11 Is categorization of complaints available?

The figure presents if additional information on complaints is provided by the firms. This includes information on the volume and nature of complaints and other related data. It should be noted that this information is not expected to be available within the policy document or on the same page as the complaints page and therefore we search on the firm's website for this additional information.

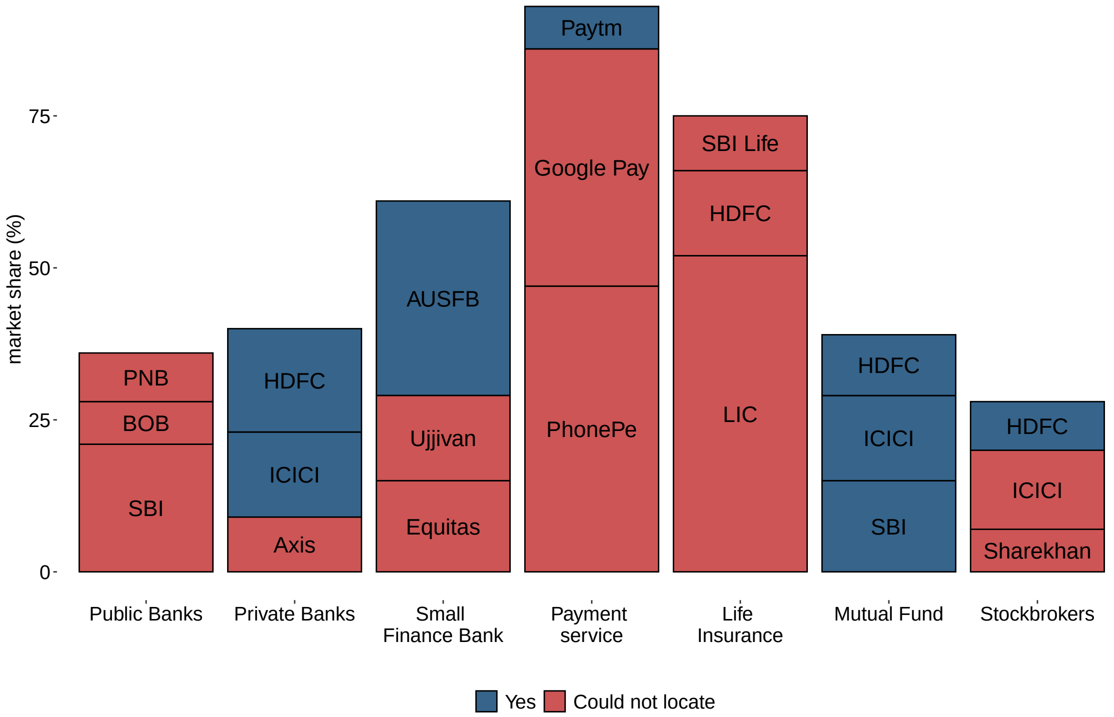


Data on categorization of complaints Only five out of all the firms provide some categorization of complaints. Amongst the 6 scheduled banks, only HDFC provides categorization of complaints. In a bid to strengthen the GRM, RBI recently announced certain proposals (RBI, 2021). One of the proposals includes provision of categorization of complaints.

Only one private bank i.e. HDFC and all the mutual funds provide details on categorization of complaints. The mutual funds do so to comply with a regulatory requirement imposed by SEBI.

Figure 12 Is time analysis of complaints provided?

The figure presents if additional information on the turnaround time is provided by the firm. This includes the volume of complaints received in a financial year. This also includes the share of grievances resolved in the same year and how many were carried forward to the next year. It should be noted that this information is not expected to be available within the policy document or on the same page as the complaints page and therefore we search on the firm's website for this additional information.



Data on turnaround time Providing data on turnaround time to resolve complaints helps the customer get a sense of how long it typically takes for the service provider to resolve the issue. Eight firms provide details of the time taken for their team to resolve complaints. All the mutual funds provide this data, in complaince with a regulatory requirement imposed by SEBI.

4 Conclusion

In this paper, we have undertaken a novel analysis of GRM policy of the Indian financial sector by assessing the content of GRM policies of 21 financial service providers. From the results we see that no one firm performs consistently well across all metrics. As mentioned earlier, this is not indicative of the actual process but is a way of signaling to customers about the process. This is important as it reduces the information assymetry and allows customers to take informed decision in choosing which firms they would like to engage with. This also helps in holding the firms accountable to their system in case of any deviation than what has been mentioned in the policies.

The results imply that firms are not adequately signalling to the customers the GRM process used by them. It is possible that these firms have a good process but it is not evident from the material online. This raises the question as to why firms would not advertise their GRM process adequately. Given that GRM is available at each of the FSP, it is reasonable to expect the firms to disseminate this information. It could be that it is not in the best interest of the firms to inform and encourage the customers to utilize the redress mechanism.

How then can we then encourage a system that educates it customers and persuade them in utilizing the system? One solution that can then be explored is through regulations. This is also seen in our analysis where banks and insurance companies have clear regulations on GRM management and hence they have clear GRM policies. While these sectors do have scope for improvement, they do have a starting point from which one can work with. A positive move in this direction has been made by the RBI which announced its plans to introduce a more holistic grievance redress framework that includes measures like better disclosure norms, and the possibility of integrated grievance systems to further strengthen the GRMs of banks (Reserve Bank of India, 2021a).

However, the regulation needs to be made uniform across the financial sector for a simple understanding of the process. While most of the firms have a GRM at the firm level, entities regulated by SEBI do not have specific regulations (similar to those prescribed by RBI or IRDAI). This is because SEBI has the SCORES platform which is a follow-up system for complaints. The SEBI Act allows for formal legal complaints to be filed against the FSP which is unlike other regulators. Also, SEBI mandates that mutual funds must disclose the analysis of time taken to resolve complaints, but there is no such requirement for stockbrokers.

Hence, a combination of factors which include differences in regulations and less incentives for firms for advertising and encouraging GRM practices necissitates a need for a unified regulation and regulatory authority which engenders better GRM practices among Indian FSPs. The recent announcement by RBI to mandate increased disclosures for banks is therefore a welcome step.

References

Bailey, R., Parsheera, S., Rahman, F. & Sane, R. (2018). Disclosures in privacy policies: Does "notice and consent" work? *NIPFP Working paper series*, (246).

Balasubramaniam, V., Biswas, K., Sane, R. & Sarah, M. A. (2020, May 14). Estimating customer complaints using twitter feeds. Retrieved October 11, 2021, from https://blog.theleapjournal.org/2020/05/estimating-customer-complaints-using.html

Chapman, M. & Mazer, R. (2013). Making recourse work for base-of-the-pyramid financial consumers. *Focus Note*, *90*.

Chivukula, C. (2021, February 18). Consumer grievance redress in financial disputes in india. Retrieved July 21, 2021, from https://www.dvara.com/blog/2021/02/18/consumer-grievance-redress-in-financial-disputes-in-india

Chivukula, C., Prasad, S. & Chugh, B. (2021, May 7). Providing grievance redress for financial disputes through online dispute resolution. Retrieved July 21, 2021, from https://www.dvara.com/blog/2021/07/05/providing-grievance-redress-for-financial-disputes-through-online-dispute-resolution/

Cooper, R. W. & Frank, G. L. (2001). Key ethical issues facing the property and casualty insurance industry: Has a decade made a difference? *CPCU journal*, *54*(2), 99–110.

Dvara Research, Gram Vaani, IIT Delhi, Tika Vaani and University of Montreal. (2021, February). *Delivery of social welfare entitlements in india: Unpacking exclusion, grievance redress, and the role of civil society organisations*. Retrieved October 11, 2021, from http://publications.azimpremjifoundation.org/2769/1/GramVaani.pdf

Flesch, R. (1948). A new readability yardstick. *Journal of Applied Psychology*, *32*(3).

Gulati, K. & Sane, R. (2021). Grievance redress by courts in consumer finance disputes.

Gulati, K. & Suresh, K. (2021, November). *Issues concerning grievance redress mechanism (grm) in indian financial regulators*.

Insurance Regulatory and Development Authority of India. (2020). *Handbook on indian insurance statistics*. Retrieved July 22, 2021, from https://www.irdai.gov.in/ADMINCMS/cms/Uploadedfiles/Hand%20Book%202019-20.pdf

Narain, R. & Parsheera, S. (2021, May 7). Online dispute resolution in india: Looking beyond the window of opportunity. Retrieved July 21, 2021, from https://blog.theleapjournal.org/2021/04/online-dispute-resolution-in-india.html

Raghavan, M. (2020, May). Transaction failure rates in the aadhaar enabled payment system: Urgent issues for consideration and proposed solutions. Retrieved October 11, 2021, from https://www.dvara.com/research/wp-content/uploads/2020/05/Transaction-failure-rates-in-the-Aadhaar-enabled-Payment-System-Urgent-issues-for-consideration-and-proposed-solutions.pdf

RBI. (2021). Strengthening of grievance redress mechanism in banks.

Reserve Bank of India. (2021a, May 30). Annual Report (July 1, 2019 to June 30, 2020) for Banking Ombudsman Scheme, 2006; Ombudsman Scheme for NBFCs, 2018 and

Ombudsman Scheme for Digital Transactions, 2019. Retrieved from https://tinyurl.com/544zybce

Reserve Bank of India. (2021b, February 8). The reserve bank of india ombudsman schemes: Annual report 2019-20.

Sahoo, M. & Sane, R. (2012). A regulatory approach to financial product advice and distribution.

Srinivas, M. (2017, April 27). A brief comparison of ombudsmen frameworks. Retrieved July 21, 2021, from https://www.dvara.com/blog/2017/04/24/a-brief-comparison-of-ombudsmen-frameworks-part-2/

UNDP. (2017). Supplemental guidance: Grievance redress mechanisms.

United Kingdom House of Lords and House of Commons. (1999, June 2). *Joint committee on financial services and markets - second report*. Retrieved October 11, 2021, from https://publications.parliament.uk/pa/jt199899/jtselect/jtfinser/465/46502.htm

Wells, B. P. & Stafford, M. R. (1995). Service quality in the insurance industry. *Journal of Insurance Regulation*, *13*(4).

World Bank. (2019). Complaints handling within financial service providers: Principles, practices, and regulatory approaches.

MORE IN THE SERIES

- Gulati, K., and Suresh, K., (2022). Issues concerning Grievance Redress Mechanism (GRM) in Indian financial regulators, W.P. No. 364 (January).
- Chakraborty, L., Kaur, G., Rangan, D., Kaur, A., and Jacob, J. F., (2021). Analysing Fiscal Federalism in Global South: South Africa, Kenya, Ethiopia and Nepal, W.P. No. 363 (December).
- Chakraborty, Lekha, (2021). Covid19 and Gender Budgeting: Applying a "gender lens" to Union Budget in India, W.P. No. 362 (December).

Vimal Balasubramaniam, is a faculty, Queen Mary University of London
Email: v.balasubramaniam@qmul.ac.uk

Renuka Sane, is Associate Professor, NIPFP
Email: renuka.sane@nipfp.org.in

Mithila Sarah, is Research Fellow, NIPFP
Email: mithila.sarah@nipfp.org.in

Karthik Suresh, is Research Fellow, NIPFP
Email: mailkarthiksuresh@gmail.com

NIPFP

National Institute of Public Finance and Policy,
18/2, Satsang Vihar Marg, Special Institutional
Area (Near JNU), New Delhi 110067
Tel. No. 26569303, 26569780, 26569784
Fax: 91-11-26852548
www.nipfp.org.in