

Consumer Inclusion in Financial Services

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The UN Guidelines for Consumer Protection are a valuable set of principles dealing with effective consumer protection legislation, enforcement institutions and also redressal mechanisms. The Guidelines were first adopted by the General Assembly in Resolution 39/248 of April 1985, later expanded by Ecosoc Resolution 1999/7 of July 1999, and revised and adopted by the General Assembly in Resolution 70/186 of December 2015.

The UN Guidelines of 2015 contains for the first time a section on financial services, providing recommendations on fair treatment and proper disclosure, responsible lending, appropriate controls to fight abuses and fraud and transparency. This also recommends that measures should be adopted to reinforce and integrate consumer policies concerning Financial Inclusion, Financial Education and Protection of Consumers in accessing and using financial services. The global financial crisis and its impact on the consumer made the Organisation for Economic Cooperation and Development (OECD) G20 to evolve High Level Principles on Financial Consumer Protection of 2011. As recognised by the General Assembly,

"consumer confidence and trust in a well-functioning market for financial services promotes financial stability, growth, efficiency and innovation over the long term and the (recent) financial crisis places a renewed focus on consumer protection". Crisis or no crisis, it should be the endeavour of governments and NGOs to protect the consumer. In this regard, consumer inclusion and empowerment are important.

Consumers are empowered when they know their rights and obligations and "are able to defend them". Perhaps the top priority for most consumer protection authorities is to educate consumers and balance the inherent information dissymmetry between businesses and consumers in the market place.

This is easier said than done. Consumer education needs the participation of many stakeholders, such as consumer protection and education authorities, businesses and consumer organizations, the academia and the media. Here, we have to reckon with the recent e-commerce and digital revolution.

The financial services sector is more complex in this regard. There are many complexities exposing the consumer. He is bombarded

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every day even through e-mail with numerous offers which he or she hardly understands. India has a consumer protection law since 1986. The question arises whether there is need for a separate consumer law for financial services. There are, of course, sectoral legislations. But how far they are effective is doubtful for an ordinary consumer. The present Consumer Protection law is being amended to make it more comprehensive to protect the consumer better. The financial services are a more complex area with numerous players, with banks alone controlling 64 per cent of the total assets. There are many other formal and informal players in this sector like CAs, agents, brokers, advisers, intermediaries, etc., There should be appropriate controls and insurance mechanisms to protect consumer assets, including deposits. Financial literacy becomes important. Here, the UN Guidelines for Consumer Protection, already referred to, for financial services is worth a re-read.

As the central bank of the country, the Reserve Bank of India (RBI) plays an important role in laying down broad policy with regard to interest rate, various charges and treatment of customers by commercial banks, the non-performing assets (NPAs), an euphemism for bad loans to big and influential customers. The Banking Ombudsman appointed by the RBI in each State also listens to the consumers in this regard and redresses them.

Financial services are the economic services provided by the finance industry, which encompasses a broad range of businesses that

United Nations Guidelines for Consumer Protection 2016

Financial services

Member States should establish or encourage, as appropriate:

- (a) Financial consumer protection regulatory and enforcement policies;
 - (b) Oversight bodies with the necessary authority and resources to carry out their mission;
 - (c) Appropriate controls and insurance mechanisms to protect consumer assets, including deposits;
 - (d) Improved financial education strategies that promote financial literacy;
 - (e) Fair treatment and proper disclosure, ensuring that financial institutions are also responsible and accountable for the actions of their authorized agents. Financial services providers should have a written policy on conflict of interest to help detect potential conflicts of interest. When the possibility of a conflict of interest arises between the provider and a third party, that should be disclosed to the consumer to ensure that potential consumer detriment generated by conflict of interest be avoided;
 - (f) Responsible business conduct by financial services providers and authorized agents, including responsible lending and the sale of products that are suitable to the consumer's needs and means;
 - (g) Appropriate controls to protect consumer financial data, including from fraud and abuse;
 - (h) A regulatory framework that promotes cost efficiency and transparency for remittances, such that consumers are provided with clear information on the price and delivery of the funds to be transferred, exchange rates, all fees and any other costs associated with the money transfers offered, as well as remedies if transfers fail.
67. Member States should adopt measures to reinforce and integrate consumer policies concerning financial inclusion, financial education and the protection of consumers in accessing and using financial services.



Member States may wish to consider relevant international guidelines and standards on financial services and the revisions thereof, and, where appropriate, adapt those guidelines and standards to their economic, social and environmental circumstances so that they can adhere to them, as well as collaborate with other Member States in their implementation across borders. In so doing, Member States may wish to study the High-level Principles on Financial Consumer Protection of the Organization for Economic Cooperation and Development and the Group of 20, as well as the Principles for Innovative Financial Inclusion of the Group of 20 and the Good Practices for Financial Consumer Protection of the World Bank.



manage money, like banks, RBI, credit card companies, insurance companies, consumer finance companies, stock brokerages, investment funds, mutual funds, etc., In fact, "Voice Society" has made a comparative study of 150 financial products including credit cards.

A vast area indeed with the Insurance Regulatory Authority, Securities and Exchange Board of India (SEBI), Forward Market Commission in the case of commodities, mutual funds on which many consumers depend, consumer finance companies, investment funds, etc., This is a veritable jungle in which the consumer is lost!

Here, the important point of Inclusion comes, particularly in the rural areas in a vast country like India with varying levels of literacy. In a State like Kerala, things may be simple with high literacy, particularly female. In some other parts of the country, a bank-account even is not known to people. The recent Pradhan Mantri Jan Dhan Yojana has helped 'financial inclusion' with the opening of more than 350 million beneficiaries for the first time with money in their accounts. Once they have it, they enjoy the Direct Benefit Transfer (DBT) of the many monetary benefits from the Government flowing into their accounts without middlemen. This hassle-free transfer without middlemen gives them a sense of 'inclusion' in national development.

Till recently, youngsters were going for IT as first preference; now they prefer Financial Services. Today's financial services industry, with its many products and services, manages money for individuals and corporations.

"Financial Services show the poor ways out of poverty and of leading better lives. To the wealthy, Financial Services offer opportunities to make money grow". But, in my opinion, it depends upon good management and consumer protection with speedy redressal of grievances. □

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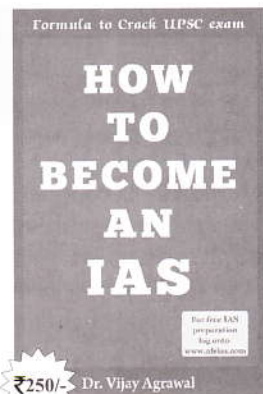
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