

Qualitative Analysis of Consumer Redressal Practices in Indian Regulated Sectors

Mugdha Mujumdar, Sandeep Prabhu, Giri Hallur



Abstract: This paper aims to study and analyze consumer complaint resolution mechanisms and ombudsman frameworks in three Indian regulated sectors and tries to compare it with that of telecom sector. Here an analysis of regulatory data is carried out. The paper is both theoretical and analytical in nature. This research sheds light on complaint resolution frameworks in Indian regulated sectors such as “Banking, Insurance, Electricity and telecom. Role of Ombudsman and alternate dispute resolution mechanism in the sector is also studied. It is necessary for Ombudsman to perform its duties and responsibilities for overall growth of the sector. Visible, sharp complaint resolution structure and noticeable, orderly decision making entity are truly necessary component of complaint solving mechanism. This Paper also analyses statistics, facts of complaint resolution rates etc. Consumer complaint solving framework is a regulatory vehicle for discarding of grievances. This research is indicator of eight principles of effective consumer resolution mechanism.

Keywords: “Grievance Redressal, telecom regulations, TRAI, Life Insurance, IRDA, Banking Ombudsman, Electricity Act, CGRF

I. INTRODUCTION

India’s telecom sector is the second largest in the world in terms of subscribers. Over two decades, there is transformation at fast pace in telecom landscape and also in regulatory environment. This puts forward possibility to learn major aspects of telecom regulatory governance from different perspectives. The way telecom regulations have evolved over time lays foundation for governance in the sector. It has shaped by the efflux of time and related regulation and governance in the sector. The World Trade Organization basic agreement on telecom in 1997 is a classic moment for transition wave in the telecom sector. New defined role of telecom from natural monopoly to competitive market is visible. India’s attempts to move away from monopoly to competition started back in 1990’s. In 1994, NTP (National Telecom Policy) was crafted with objective of opening up telecom sector to direct foreign investments and also to increase domestic investments. NTP 1994 attained critical mass with TRAI Act 1997 implemented which concluded into NTP 1999. The transition from using landline phones to wireless phones in hand which has become first choice for subscribers has given rise to new regulatory architectures in India.

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Telecom services are characterized by quality that affects regulations. Transition story of telecom is featured by different challenges in policies, different policy actors, other stakeholders, and accurateness of policy strategies and last but not least is achieved targets of policy.

Economical changes on one hand due to changing business landscapes, effect of political functioning on regulations, functioning of administrative department in telecom and interplay between these forces have resulted robust mechanisms. Telecom has three features in common with other sectors they are economies of scale and scope, asset specificity and wide range of domestic users. Electricity and Telecom have many things in common like evolution history which transformed from monopoly market to competitive one. The alteration of both of these sectors determined by energy evolution and deregulation opening new arena of convergence. Determined by the energy change, the electricity sector is at the same time going from end to end profound revolution. Renewable energy will set up division and opening for new participant the digitalization, propose ICT players occasion to develop their value proposition in energy business. Telecom, Electricity, Banking and Insurance have large number of consumers. All these markets are penetrating with descent growth rate. While consumer penetration and growth is aggressive, consumer complaint resolution becomes crucial part of the sector. Consumer complaint resolution is necessary for growth of the sector as well as nurturing the sector. Consumer complaint resolution is governance procedure which is in place in every sector. Banking, Insurance, Electricity and Telecom sector also have these mechanisms set up for years so this proposed research study tries to analyze secondary data and interprets effectiveness of systems, studies procedures in depth for resolution of complaints and analyses, compares and contrasts them with each other.

II. LITERATURE REVIEW

Here, Literature review is good mix of different journal papers from Scopus, Emerald, and web of science, news articles, and regulatory authority reports. Literature review brings out different aspects of Redressal in the form of different sector’s ombudsmen. It also includes systematic literature review of consumer protection, consumer rights, and different aspects from electricity sectors. Systematic literature review brings out different movements in banking, insurance, electricity and telecom sector.

1) History of ombudsman and functioning

The first ombudsman office was established in Sweden in 1809. Its function was to protect rights and interests of consumers.



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Function and role of ombudsman have developed along with time as per different countries. Sweden, Finland, Norway, Denmark, and New Zealand are the colonist countries for implementing ombudsman scheme. Aim of this judicial law system was to facilitate swift, constructive, user friendly means of protecting consumers against mishandling. Country like Belgium has public ombudsman law from 1995. There was lot of issues in relationship between government and citizens, by 1997 to 1999 Belgium was country with very poor trust on government, within this framework, Belgium government had taken steps to strengthen the trust factor among people.(Van Roosbroek & Van De Walle, 2008) after Belgium, next study is about European ombudsman and European constitution; European ombudsman is in function since 1995. The ombudsman term hails from Sweden. In 1908, parliamentary ombudsman was acting on behalf of parliament for resolution of disputes.(Peters, 2005).Financial ombudsman is body facilitating dispute resolution to consumers informally in swift manner. Ombudsman has authority to address and analyse complaints. Ombudsman also has authority to give compensation where applicable up to 100000 Euro. Ombudsman is independent entity for building trust in financial services however it is not a part of regulatory structure. It is alternative mechanism of ADR (Alternate Dispute Resolution) which is another possibility of dispute resolution substituting civil court. ADR is broad term consisting of several categories. Financial ombudsman is independent service which is alternative to court. Private sector ombudsman hails from Insurance sector ombudsman established in 1981. Financial ombudsman in UK is similar like other ombudsman services in UK and free of charge to consumers. There is difference in the way ombudsman and court functions. Court handles adjudication as public hearing while ombudsman keeps all data of complainant's parties confidential and the way ombudsman solved complaints. Number of complaints handled by financial ombudsman are free of cost and free of risk and considered secure by consumers so proportion of financial complaints received and resolved by court is very small compared with financial ombudsman (Merricks, 2007). After studying financial ombudsman in UK, next research study is of financial ombudsman in India, ombudsman mechanism is a prompt service with cheap cost. In many scenarios, disputes appear between bank and consumers related operations in bank. For swift, transparent resolution of complaints, RBI introduced banking ombudsman mechanism in June 1995. RBI (Reserve Bank of India) have implemented banking ombudsman as per amended provision of banking ombudsman scheme 2006. Banking ombudsman facilitates solution for banking dispute by conciliation, or mediation, or by compensating to grievance party. Resolution of complaints in banking sector is crucial as banks are financial institutions and hence customer satisfaction has to be ensured in the sector. (K.Velu, 2002).Banking ombudsman is dispute Redressal entity in banking. Supreme quality of customer service is highly useful means for long term growth of business but at the same time consumer complaints are part and parcel of any business entity. In service facilitating entities like banks consumer complaints are observed more however it is believed in banking sector that more satisfied and happy customers will lead to more business growth. Ombudsman is a third person responsible for resolution of complaints. Appointing ombudsman is

trying to resolve complaints without going to court. Banking ombudsman entity is very much essential for resolution of grievances by consumers against the banks. Data analysis in this research reveals the fact that banking ombudsman is functioning efficiently and consumers are satisfied however this is urban scenario and rural consumers are not aware about banking ombudsman.(HemaDivya, Reddy, & Kota, 2018) however banking system in India today has biggest outreach for facilitating financial services. RBI introduced banking ombudsman in June 1995 to facilitate swift, effective and less costly solution. When customers are not satisfied with the banking service, they can appeal to banking ombudsman for resolution complaints. This research study investigates effect of banking ombudsman scheme on service quality. Trend analysis is used for this investigation.(Malyadri P, 2015)Banking ombudsman is consumer friendly initiative for protecting consumer's interest and also it is lessening burden on judicial systems. Customers who are dissatisfied with banking service can apply to ombudsman however this service is not totally used by all customers as visualized by RBI. People are not much interested to file complaint as it takes their time, money and energy. Ombudsman is unique because of its effective functioning as it takes judicial decision in individual case.(Hetha, 2017).Banking ombudsman in India, role and responsibilities and its effectiveness, this analysis is important as ombudsman is dispute resolution entity. This study also sheds light on functions of ombudsman as arbitrator to investigate grievances of Indian banking consumers and how ombudsman makes balance between customers and banks. so banking ombudsman plays the mediator role and bring common solution between aggrieved parties. Most of the complaints i.e. ninety percent complaints are resolved by ombudsman as per data analysis conducted in this research study. Study also insists on the fact that RBI have taken very sensible and right decision of establishing ombudsman however RBI should give very stringent suggestions and guidelines to adhere for real time compliance (singh Devendra, 2013).ombudsman have authority for facilitating compensation for banks inability to adhere rules framed by RBI. Blueprint of ombudsman developed in China in Quin family and in Korea during Joseon family. Ombudsman is established by government or parliament with considerable independence. Ombudsman's objective is to find systematic issues that bring poor service and breach of people's rights. There are total 15 banking ombudsman in India, and it handles all type of complaints. (P. Suganya , R. Eswaran, P. Suganya, 2015). Banking Ombudsman Scheme (BOS) is for consumer protection in banking services in India. As banking is service industry well established and transparent independent entity for banking consumers is needed to ensure fairness and satisfaction. Banking ombudsman scheme facilitates consumer protection. Ombudsman is very much needed, and it is a way for Redressal of grievances of general public against banks. It facilitates justice for individual grievance. (Gousia, 2013). As per annual report of banking ombudsman in year 2017-2018, increasing complaint trend has been observed. There was rise by 25% average annual rate for complaints, but 96% complaints were disposed of by banking ombudsman.

For customer protection of banking consumers, course of actions was introduced by RBI in year 2017-18. Second office of banking ombudsman was established in Mumbai to manage increasing number of complaints. (RBI Annual Report). Insurance companies play vital role in facilitating special financial services to growth and development of every economy.

Insurer is a risk absorbing giving financial stability in financial markets. Insurance have vital role in business world. (Oscar Akotey, Sackey, Amoah, & Frimpong Manso, 2013) Indeed, a well-built and progressive insurance business is a fortunate thing for financial development as it provides long-standing finances for infrastructure growth of every economy (Charumathi, 2012).

2) Consumer protection, loyalty and consumer grievance

The next study is in context of life insurance and analysing antecedents of customer loyalty. service quality and commitment are major prognosticator. (Alok & Srivastava, 2013). This study is about German Insurance Ombudsman, it is a private entity which started functioning in 2001. It is considered new entity in the consumer protection area. Ombudsman plan of action is very open ended and very adjustable. In countries like Scandinavia, UK, US, where lawsuit for state courts is expensive, alternative methods for dispute resolution are used. Germany had witnessed and followed different path of using civil courts for consumer dispute resolution however this method was expensive so many tools which are budget friendly were used by legislators in Germany (Basedow, 2007). The next study is also about life insurance industry in context of Indian ombudsman. Grievance is ground for filing any complaint. It is also can be stated as a dissatisfaction of service by service provide or product by manufacturer. Grievance management mechanism in life insurance sector is the centre point of this circle of study. As number of insurance consumers is more, there are a greater number of grievances as well. Study concludes that ombudsman in insurance is very important. Ombudsman is efficient in terms of trust of insurance consumers complaints resolution (Yadav & Mohania, 2015). (Syed Ibrahim and Shakeel-Ul-Rehman 2012) have analysed their study in context of life insurance industry Life insurance business in India is among the greatest increasing business - LIC of India accounts for about 70% of the commerce while rest is with over 20 private companies. Greater than before rivalry post liberalization and entry of private and foreign companies has seen noteworthy development in consumer service and notice to consumer-complaints. The study demonstrates, among these players, LIC of India has shown success in resolution of consumer complaints at faster speed vis-à-vis private company. Anita Stuhmcke in her publication Telecommunications Policy clearly gives explanation of the "role and evolvement of Telecom Industry Ombudsman in Australia. The dispute resolution mechanism and regulatory functions served by the telecom ombudsman were exemplary and helped the country in successfully implementing the industry reforms. The next study cursors about customer are perceived service quality for life insurance services. Liberalization of financial services have given rise to competition and hence companies are focusing more on customer satisfaction and loyalty through improved service quality in life insurance quality. Liberalization and

globalization have insisted on service quality as a tool for differentiation. Insurance companies are becoming customer focused from product focused however study finds that there is gap between what customer expects and what customer get from service providers in sectors like life insurance. This study has developed an instrument to measure customer perceived service quality" (Siddiqui & Sharma, 2010).

The next study focuses on E-governance models for grievance Redressal data which is huge in nature. students, people, or anyone who is relied upon web-based grievance Redressal network sites which produces huge grievance data which is challenging to understand as it is not in a structured manner, so this study proposes a framework for deciding effectiveness of traditional data mining algorithm on large grievance data from e-governance (Sangeetha & Manjunatha Rao, 2016). Service segment is a huge rising and energetic region. Consumer's civil rights are very significant in every service sector segment. Consumer welfare links in India offer grass root contribution in governing device and systems. There are general consumer rights and regulations which are followed by Government of India (GOI) like safety human rights knowing information civil rights, Redressal constitutional rights grievance Redressal for consumer complaints. It also consists of necessary resolution of complaints. There is vast literature on consumer civil liberties related to products than in service sectors. There is past research in the field of consumer grievance Redressal in banking and insurance to some extent, but there is limited literature available for Indian telecom and electricity sectors. Nonetheless government ministries and regulatory bodies have done groundwork from side to side a variety of consultations to measure the Redressal system. (Viswanathan, 2008). Consumer protection is closely related to ethics and values. Consumer protection is important aspect in this civilized society. Every consumer/citizen must have idea of basic rights he/she has such as safety rights, information right, choice right, consumer education etc. Main aim of consumer protection act 1986 is consumer welfare. Effect of this act is negligible. Consumer found worms in chocolates, he went to media instead of enforcement agency, pesticides were discovered by NGO and not by Government, meat and poultry industry follows unhygienic practices. Banking sector has got introduced ombudsman scheme to address grievances of consumers by RBI. Citizen charters guide consumers for taking sensible and informed decision as well. Government has framework of different regulations and courts at district, state and national level for consumer protection. "The National Consumer Disputes Redressal Commission," New Delhi, is the highest body of court to protect consumer interest. Post liberalization government transformed insurance sector from monopoly and allowed private players to enter this sector. This resulted into competition in the sector and it tried to cover untapped population for insurance context. At the same time, heightened role of consumers expectations and extending it to consumer grievances is natural way which needs resolution so that development of sector is at its pace. Effective, successful way of transferring any occurred risk is insurance. The main concept in insurance is unpredictable risk.

This study explores Redressal of consumer complaints in insurance with reference to ombudsman and has highlighted suggestions to make grievance Redressal mechanism strong. Grievance is defined by “Insurance Regulatory and Development Authority of India (IRDAI)”, that any kind of dissatisfaction is grievance. When consumer is not satisfied with service, insured person must approach to insurer for Redressal of grievance.

This provision is aligned with the jurisdiction which explains that if special advisory body is needed for resolution of grievance then Redressal solution will be addressed by special knowledge body before going to law courts. (Agrawal, 2009)”. (Sharma, Joseph, Paulose 2018) explains research study in context of consumer retention. “In their study of determinants of consumer retention in telecom, the authors indicated that customer satisfaction, customer relationship management, switching barriers and alternative attractiveness has positive correlation with customer retention. The paper also reveals that even if switching costs are low a very positive customer relationship management strategy is a key to retain the customers”.

(Sureshchandar, Rajendran, Anantharaman 2003) in their analysis of customer perceptions of quality of service provided in the banking in India, it includes technology factors of banking such as core banking services, systematization of the service delivery etc are differentiating factors of services rather than human factors. (Khare A. 2011) “The study of customer’s perception and attitude towards the MNC banks indicated that the consumers positively believe that the efficiency and competency of MNC banks in providing the services will be better than Indian banks “.

(Saxena and Kaur 2017) “Indian banking system is part of global service industry and is responsible for growth and development of the country. Post liberalisation, the industry has seen strong growth with entry of private players and foreign banks. Competition heightened with entry of new players and customer satisfaction and retention got attention. Every bank has internal customer grievance handling committee. Further RBI has also set up banking ombudsman system for dissatisfied consumers. For banks or any service industry, customer is the king and success of business depends upon the satisfied customers. Along with providing many services with new technology, banks should provide an effective Redressal system to its customers and should also monitor level of customer satisfaction. Responsiveness, intent and empathy in customer grievance handling will enable banks to have better Redressal systems”.

(Saxena and Kaur 2018)- “The study of banks in Punjab for knowing limiting factors in consumer complaint Redressal system reveals that reliability, tangibles, accessibility, responsiveness and assurances are key limiting factors for the banks”. (Sharma Bansal 2011) “Analyses quality of service in insurance sectors in India and China found that despite technological automation, customers prefer personal communication in service industry, and assess service quality in terms of personal support they receive in time of need. Customers require personal interaction, friendly communication, trust and sense of confidence if they are to have long term association with organisation. Further the perceptions of quality of service differ by nationality due to differences in environment in terms of economic, social, and culture “.

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Next research study brings financial piece of life insurance Company in Ghana. “Insurance companies facilitate some specific financial services. Insurance sector of Ghana has transformed itself from state-owned to market driven industry. Financial performance of life insurance companies measured by three parameters investment income, underwriting profits, and overall SAP “(Oscar Akotey et al., 2013). Next study reveals antecedent of customer loyalty in Life Insurance. Study discovers seven variables of customer loyalty .service quality and commitment are main forecaster of customer loyalty in Indian Life Insurance commerce (Alok & Srivastava, 2013).

3) The next study brings out facts about electricity sector

In developing countries, in power sector focus is on technical aspect of sector while efforts for making customer’s experience more fruitful are not adequate. Improving customer experience either through better quality of service or by ensuring their participation in regulatory process are not enough. This study analyses the extent and quality of consumer participation and protection in five states in India. As per judicial window of law, all states have formed standards of performance regulation and established grievance Redressal mechanism in place, but these bodies have not achieved desired level of effectiveness. Consumer participation and protection is studied and analysed using two attributes i) consumer grievance Redressal ii) consumer participation in regulatory proceedings.(Khanna, Singh, Swain, & Narain, 2015).Like previous study, the next is also in context of power sector. These study analyses footprints of major policy rejig. Study throws light on -electricity Act 2003. Paper is about major highlights of this act. Previously till 1991, there was monopoly in the sector however Electricity act wish to bring market-based regime. This act consolidates norms related to generation, transmission, distribution. (Thakur, Deshmukh, Kaushik, & Kulshrestha, 2005).This study is in context of power sector, a study of electricity governance indicator toolkit development to analyse a way forward to analyse state of governance. Toolkit consists of three main sections. First section consists of 22 attributes that test policy processes at national level, second section consists of 23 attributes that test governance processes, and third section consist of 23 attributes that test environmental and social aspects of power sector refining processes. (Mahalingam et al., 2006). The next study has perspective of increasing access to electricity in interior regions in Rajasthan where power sector reforms are ongoing. Study analyses foundation problems of rural electricity access. In the era 1999-2000 Rajasthan state electricity had 5 million consumers. And electricity access to rural is 34% of population.(Chaurey, Ranganathan, & Mohanty, 2004).Electricity act 2003 is aimed at protection of consumers interest. National electricity policy and Tariff policy are designed under the act. They dictate a blueprint and actions mapped according to it to multi stakeholders for protection of consumer interests. State electricity regulatory commission(SERC) has laid down regulations for Redressal of consumer complaints. states have well established grievance Redressal mechanism having Consumer Grievance Redressal Forum (CGRF) and ombudsman. (Report, 2016).



4) Bibliometric analysis - literature on banking sector from Scopus database



III. DISCUSSION

Consumer grievance Redressal in Indian regulated sectors

1. Telecom sector Redressal Mechanism

Regulatory Framework: Grievance Redressal of consumers in Indian telecom sector is regulated by “telecom Consumer Complaint Redressal Regulations, 2012” and is modified thereof by TRAI. As per the regulation, the Telecom service provider has to set up a two-tier Redressal mechanism.”

Two-tier framework for complaint Redressal

Table-1: Two-tier framework for complaint Redressal

Tier	Mechanism
First Tier	“Complaint center set up by TSP is the first stage of complaint Redressal. It has a toll-free consumer care number. The complaint Centre is accessible to consumers through this number, through email or post. If consumer has complaint, he/she can approach to this complaint center. Complaint center will allocate a docket number to complaint and date, time of complaint registration, time limit of resolution of complaint is mentioned and SMS is sent to consumer. IVRS is used at complaint center with specific steps vis language selection, selection of broad categories of complaints, option to speak with customer care agent.”
Second Tier	“If consumer is dissatisfied with Redressal of his/her complaint or if complaint remains unattended in first stage, consumer can approach appellate authority (AA) established by TSP. There is no fee for filing of appeal. There is advisory committee to appellate authority with two members, one member from service provider and one member from CAG registered with TRAI. Every service provider should setup “web-based complaint monitoring system” and consumer is able to track status of his/her complaint.

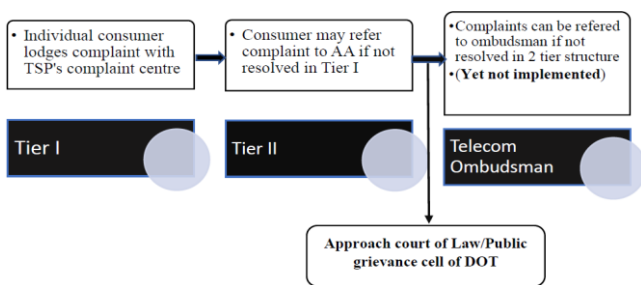


Fig 1: Schematic diagram for Indian telecom sector grievance Redressal system

TRAI’s present participation in consumer complaint resolution is very inadequate as TSPs are accountable to handle and resolve grievances. TRAI does not have the control over resolution method, time consumed for resolution, and quality of response that consumers get and in terms of transparency of the procedure along with resolution of appeals etc. For enhancement in quality of services TRAI has recently recommended a Telecom Ombudsman and a three-staged resolution method with centre on latest technologies to resolve the complaints, the three stages in the proposed system are – resolution by TSP, resolution by Consumer Grievance Redressal Forum (CGRF) and eventually determination by Telecom Ombudsman. Although Telecom Ombudsman is under implementation, its structure, functional independence, enforcement powers and

funding etc are yet unclear. Further if complaint remains unresolved in tier-two structure, the consumer must go to court of Law or to DoT “ (Delhi, 2016).

Table 2: Direct complaints received by DoT & TRAI

Year	No. of complaints received		Total
	DoT	TRAI	
2013	37202	20161	57363
2014	52265	20386	72651
2015	63964	23293	87257
2016	29426	9276	38702

The table above shows the number of consumer complaints received by DoT and TRAI directly every year which indicate that many consumer complaints remain unresolved at TSP level.



2. Banking sector Redressal mechanism

Regulatory Framework: Banking Ombudsman Scheme 2006

The Reserve Bank of India (RBI) has planned “Banking Ombudsman” (BO) to provide even, speedy and free of charge resolution system for controlling consumer complaints of bank consumers.

The scheme was first commenced in year 1995 and the main aim was to determine the argument through propitiation and arbitration, Mutual permission and thoughtful process between bank and customers with Ombudsman as the mediator.

The mechanism is assessed cyclically, by the “RBI” to widen its capacity. Currently, “The Banking Ombudsman Scheme 2006” is in process. “An angry consumer should first come up to respective bank for resolution of injustice. If he/she is not satisfied by bank’s reply or bank doesn’t reply in mandated time, then consumer can approach BO. The Ombudsman aims to settle the dispute through mediation and conciliation. When this fails, BO gives its decision or awards the compensation to customers. The compensation up to Rs.10 Lakh can be awarded by Ombudsman. An award by Ombudsman can be appealed before deputy governor of RBI. In Ombudsman mechanism, there are no extra procedures or extra cost for the aggrieved person to bear as the same is run and funded by RBI”.

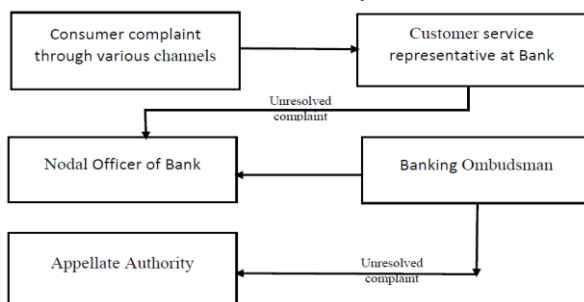


Fig-2: Schematic Diagram of Banking sector Redressal system

Obligations of a bank under Banking Ombudsman Scheme are:

- Details of Contact of Ombudsman are displayed in every branch as well as office’
- The copy of scheme should be available with designated officer of the bank and uploaded on website
- A “nodal officer “should be employed at “regional or zonal office” which is responsible for representing the bank and furnishing information to Ombudsman about the complaint.

Number of complaints received by Banking Ombudsman (BO)

Period	No o of offices of banking ombudsman	Annual complain ts	Avg complain ts per office	Rate of increa se (%) over previo us year)
2011-2012	15	72889	4859	
2012-2013	15	70541	4703	-3%
2013-2014	15	76573	5105	8%
2014-2015	15	85131	5675	11%
2015-2016	15	102894	6860	21%

Data compiled from “Bank ombudsman Scheme 2006 Annual Report.

Bank wise classification of complaints

Bank group	2011-12	2012-13	2013-14	2014-15
Nationalised banks	22326	21609	24391	28891
SBI and Associations	25848	23134	24367	26529
Private Sector Banks	15090	15653	17030	19773
Foreign Banks	5068	4859	5016	3406
RRBs	1439	1489	1590	1966
Others	3118	3797	4179	4566
Total	72889	70541	76573	85131

Disposal of complaints by BO

Period	Total complain ts received	omplaints disposed of	Pending complain ts	ending
2011-2012	77507	72865	4642	6%
2012-2013	75183	69704	5479	7%
2013-2014	82052	78745	3307	4%
2014-2015	88438	84660	3778	4%
2015-2016	106672	101148	5524	5%

The tables above indicates that BO resolves majority of the complaints it receives and has been able to keep the pendency low over the years, so effectiveness of BO is satisfactory.

3. Insurance sector consumer Redressal

Regulatory framework: Insurance Regulatory and Development Authority (Protection of Policyholders’ Interests) Regulations, 2002,

“complaint is defined by” Insurance Regulatory and Development Authority of India (IRDAI),” that any kind of dissatisfaction is grievance. When consumer is not satisfied with service, insured person must approach to insurer for Redressal of grievance.

Ombudsman in Insurance

“Ombudsman word has origin in Swedish idiom where person pay attention to problems of common folks. Ombudsman is to analyse and resolve nuisance against government division and public place of work. Insurance sector commence ombudsman system by public grievance rule 1998. This is for all the corporations operating in insurance in general and life insurance businesses. In general insurance ombudsman is available there for each insurance policy to hear and resolve complaints of consumers. Ombudsman is independent power and non-judicial body interpreting law for resolution of complaints. A person having experience at civil service, admin service, and judicial service can be appointed by a governing body from a panel prepared by a Committee consisting of chairman of IRDAI, two representatives of insurance councils, and one member of central government. According to Delhi high court insurance ombudsman is independent body functioning as quasi-judicial forum for Redressal of grievances. The insurance ombudsman is funded jointly by all of the companies in insurance sector who are members of Insurance Council.



Further the staff for the ombudsman is also provided by governing body of Insurance Council. There are about ombudsmen in 17 cities all over India”.

P Preconditions for Complaint to Ombudsman-

“Complaint can be made to ombudsman if Complainant has given written complaint to insurer and complainant has not received any timely response or has rejected the same. Complaint cannot be made to Ombudsman after one year of duration after initial complaint.

- Ombudsman will be final authority to decide whether complaint is fit or not.
- Ombudsman entertains complaints up to value of Rs.20 Lakh. (Compensation)

- The Ombudsman act as Counselor and mediator. It first considers all facts if the complaint and then tries to arrive at a fair recommendation. If the customer is willing to accept this as a settlement Ombudsman informs the Insurance Company which must adhere with the award and its terms in 15 days.
- If a solution doesn't work as expected, the Ombudsman passes an award within time period of 3 months of receiving the complaint and which is binding on the insurance company to follow. The award is not binding or mandatory on consumers as a policyholder can further go to courts of law or consumer forums if not satisfied with Ombudsman (Redressal, 2016) “.

Insurer	Outstanding 1 st April 2016	Grievances Reported	Resolved	Outstanding 31 st March 2017
LIC	0	30784	30784	0
PRIVATE	935	90063	90751	247
Total	935	120847	121535	247

Grievances of life insurers during 2016-17

Sources: www.irda

LIC has no grievances outstanding while private insurance companies have 247 (few grievances) unresolved which were lower than outstanding grievances in previous year. Overall resolution percentage is high for insurance companies. Grievance handling mechanism and monitoring by regulator is leading to satisfactory resolution performance.

Grievances of public and private Life Insurance Companies in India.

S.NO	Insurer	2015-16		
		Report	Attended	Pending
1	PUBLIC	64750	64750	0
2	PRIVATE	139951	145125	935
TOTAL		204701	209875	935

2016-17					
Opening Balance	Report	Duplicate Complaints	Actual Complaints	Attended	Pending
0	30784	0	30784	30784	0
935	91829	1766	90063	90751	247
935	122613	1766	120847	121535	247

Source: www.irdai.gov.in

4. Electricity sector Redressal mechanism

Regulatory Framework: Electricity Act, 2003, NEP

“Electricity is significant thing for sustainable growth. In Digital age, electricity is vital. Electricity consumers are sheltered by electricity act 2003 as per regulations and framework lied upon by state electricity regulatory commission. Non-adherence of rule and benchmarking services impacting on quality of services provided.

Electricity act has given beginning to establishment of “Consumer Grievances Redressal Forum (CGRF)” by the company that is -distribution company for resolution of the consumer grievance. State Electricity Regulatory Commissions (SERCs) nominates one independent member to the internal arm of the Licensee. The Act also provides alternate dispute resolution in the form of the ombudsman if complaint is not resolved by CGRF. The ombudsman is appointed and funded by the entity “SERCs”. SERCs may recover all the expense directly from the Distribution Licensees. Consumers have the choice to file the complaint at the complaint centres of his Distribution Utility which will be forwarded to the CGRF. CGRF will consider the complaint and dispose of the grievance within 45 days of filing the complaint. The CGRF orders are mandatory to

follow for the Utility and expected to be implemented within time period of 21 days. Forum has also power to award compensation to the consumers.

A consumer who is aggrieved by the non-resolution of the complaint can approach to the Ombudsman. The Ombudsman entity tries to settle the disputes mentioned by agreement between the parties and pass an award. Failing of finding solution through agreement, Ombudsman decides the dispute on the pleadings by the consumer and the licensee company. An award is then passed which is binding on both consumer and Licensee Corporation. Not following to Ombudsman's request means a violation of the rule and gives penalty on the Licensee Company or imprisonment of the official person concerned up-to time period of three months and fine up to amount of one Lakh rupees. The electricity ombudsman models are more similar or comparable with that of telecom where there are complaints for modest values and complainant with limited means. The ombudsman models in electricity sector may in some manner also suit the telecom sector where the problem is to allow access to a complaint/ grievance Redressal mechanism to customers making complaints with limited means and small value disputes”.



Qualitative Analysis of Consumer Redressal Practices in Indian Regulated Sectors

“Under the regulatory framework adopted, all the states in India have designed a four-tier mechanism for Redressal or resolution of consumer grievances in electricity as said below”.

- **Tier 1:** Consumer need to contact the internal grievance Redressal cell/call centre of the discom
- **Tier 2:** If the consumer is not satisfied or grievance is not redressed within a specific timeframe, it cango to the CGRF
- **Tier 3:** If the consumer is still dissatisfied with the output at the CGRF, consumer may appeal the CGRF’s given decision to the Ombudsman.
- **Tier 4:** If still dissatisfied with decision of Ombudsman , the consumer has the right to approach the High Court(Misra & Virmani, 2016)”.

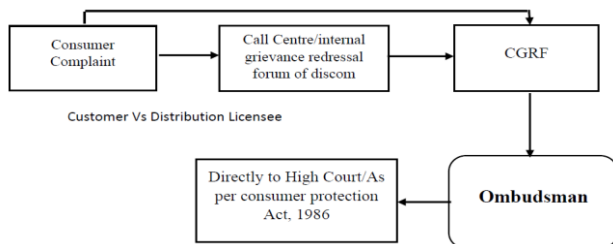


Figure 1. Schematic Diagram of Electricity Sector Redressal System

Secondary Complaint data and analysis-

Fault code	Fault categorization	Faults monthly (Before)	Faults monthly (After)
Type A	Individual customer Domestic complaints	614	484
Type B	Individual customer commercial complaints	477	402
Type C	Group customer complaints	175	143
Type D	Faults related to distribution systems	34	23
Type E	Distribution Transformer faults	3	2
Type F	Cable faults	12	8

Fault classification and its Type have been mapped. data shows that number of faults per month have been reduced which is the positive side for electricity consumers.

Particulars	Yes	No
Through unified Redressed mechanism	69.3	30.7
Time bound disposal of complaints at every level	82.9	17.1
Enabling the forums with executive powers	65.9	34.1
Dealing officers should be penalized for non compliance	74.6	25.4
By mass awareness programmes	78.0	22.0

The above data is consumer’s viewpoint for service quality which is reflecting fair and well established complain Redressal in electricity sector.

CGRF & Ombudsman performance

As indicated in graph below, the CGRF/Ombudsman resolves majority f the grievances of the consumers. Time bound Redressal however needs more attention.

Data and analysis-

Table 2.1
Complaint Registration and Status of Problem

	Experience		In-House Complaint (For those who Experienced Problems)		Avenues for Complaint Registration (For those who filed complaint)					Status of Problem	
	Yes	No	Yes	No	Consumer Care Centre	Call Centre	Web services	Journal Complaint	Resolved	Unresolved	
No Current	30.7	69.3	66.7	33.3	64.3	7.1	0	28.6	90.5	9.5	
Voltage Fluctuation	44.0	56.0	37.3	62.7	29.3	47.4	0	26.3	78.0	21.1	
Disconnection	6.3	93.7	23.8	76.2	28.5	42.9	0	28.6	85.7	14.3	
Scheduled outages	27.3	72.7	43.0	57.0	44	38	4	16	80.0	20.0	
Metering problem	12.2	87.8	66.0	34.0	33.3	20	13.3	33.3	73.3	26.7	
Billing problem	10.7	89.3	59.1	40.9	38.5	23.1	7.7	30.8	74.0	26.0	
Service Line Broken	4.9	95.1	80.0	20.0	50	12.5	0	37.5	75.0	25.0	
Power failure of street light	15.8	84.2	37.5	62.5	20	41.7	0	38.3	91.7	8.3	
Theft cases	3.9	96.1	37.5	62.5	100	0	0	0	33.3	66.7	
Transfer of bill charges to other	2.9	97.1	50.0	50.0	0	0	0	33.3	0	100	

Source: Primary Survey Conducted by CCS, IIPA

Analysis-

As seen above the complaints remain unresolved during initial phase. In some complaint’s categories, around half of the complaints remain unresolved. However, the complaints find solution during the next phase i.e...CGRF or Ombudsman. This signifies the role of alternate dispute resolution method.

IV. COMPARISON BETWEEN SECTORS

The consumer complaints resolution system in telecom short of an independent body unlike other segments as both complaint centers and Appellate Authority are appointed by TSPs. Below table indicates the comparison between the sectors: Different parameters are designed for comparison and comparative analysis is carried out.

	Telecom	Banking	Insurance	Electricity
Regulatory Body	TRAI 2012	BOS 2006	IRDA 2002	EA, 2003
Mandatory initial complaint	With service provider	With Bank	With company	With service provider
Requirement for SP to have internal resolution mechanism	yes	Yes	yes	yes
Ombudsman services/independent agency	No (yet not implemented)	Yes	Yes	yes
Financial compensation to independent agency	Not yet clear	Yes	Yes	Yes
Is Ombudsman award binding?	Not yet clear	No, appeal is possible to Appellate	Yes, for Insurance Company	Yes, for both parties
Funding				
How ombudsman funded		RBI	Insurance Council	SERCs

Fees charged to consumer Not yet clear No No Not directly

V. CONCLUSION

1. **Consumer grievance mechanisms are regulatory tools for disposal of the consumer complaints through service providers’ internal Redressal systems-** This study throws light on complaint handling mechanisms of specific regulated sectors. Complaints and complaint disposal are very crucial as it is tool for making any sector accountable.



Constructive complaint handling mechanisms are regulatory tools which contribute to sectors performance. Complaint can be defined as any type of grievance or dissatisfaction of service /product by service provider or manufacturer.

2. All the sectors follow a common practice that first touch point for consumers will be knocking at service provider's door as complaint Redressal is considered as natural extension of their functioning-

productive complaint handling mechanisms facilitates following benefits –

- a) It resolves complaints in timely and cost-effective way
- b) It facilitates some information which would not have got attention it deserves which will help consumers to take informed decisions and provide some insights to service provider to make their services better.

3. Every grievance Redressal mechanism first step is to file a complaint to service provider

After complaint travels all tiers of the internal Redressal mechanism of service provider and still consumer is dissatisfied, he/she can approach to next level that judicial system of court of law or Ombudsman which is very effective way of complaint resolution. All the data and its analysis in this research study have laid down a conclusion that regulated sectors having ombudsman entity for resolution of consumer complaints have better picture than telecom sector which doesn't have ombudsman for resolution of complaints. It is very effective to have ombudsman as a mechanism for handling grievances of consumers. Ombudsman addresses issues of consumers investigate the issues and tries to resolve them through mediation or recommendation (which is either binding or non-binding).

5. Consumer protection is very important in terms of consumers 'rights, and responsibilities and redressing their grievances- It's important from consumer point as well to exercise consumer rights and to know how to seek Redressal of grievances for relief. -The organizations which handles grievances of consumers very effectively and in systematic manner helps to build good brand image and trust factor of organization increases among consumers.

6. Regulators and service providers have responsibility to resolve grievances in swift manner - consumer satisfaction should be well taken care of. An efficient grievance Redressal system should contain fair treatment for consumers so that complaints are handled on time. To make any Redressal system effective, measurable, and meaningful, framework of rules and regulations and structured regulatory system are needed in complaint handling process.

7. The independent, alternate mechanism provide much needed platform for Redressal of consumer complaints not resolved by service providers.- The other sectors which have separate ombudsman to handle consumer complaints (Banking, Insurance and Electricity), the mechanisms seem to redress majority of the complaints coming their way.

8. Telecom sector can also take a clue from the performance in other sectors and provide separate, alternate platform for handling of consumer complaints-

Telecom sector having large customer base doesn't have ombudsman for handling consumer grievances. The current two-tier structure which is in place for 6 years from 2012 seems to be not enough for handling grievances of consumers. If we compare other sectors banking, insurance and electricity they have better complaint resolution techniques than telecom sector. TRAI which is regulatory body governing telecom sector have laid down rooted norms for consumer protection to be adhered by telecom service providers, but actual implementation and monitoring of these norms is lacking. After implementation of ombudsman in telecom, consumer grievance mechanism will become more user friendly as its immense need of telecom consumers to be heard and understood. Consumers want an apology for their complaint by service provider, a effective resolution or solution of complaints as soon as possible, an explanation to their problem. Ombudsman will be one step solution to all this need.

9. The service provider also needs a good system for capturing complaint data, a well-trained staff for efficiently handling consumer complaints to find remedies to their problems. And analysis of complaint data to figure out improvement area.

10. The effective complaint handling mechanism promotes customer satisfaction and nurtures growth of a sector-There is 8 key features for effective consumer grievance mechanism.

- a) Customer centric services- Ensuring customer satisfaction, giving equal importance to customer feedback, well defined service standards, commitment towards all stakeholders in resolution procedures are very important attributes.
- b) Creating awareness among consumers – Creating awareness regarding complaint resolution mechanism and how to approach it, and regarding consumer's rights, i.e. Visibility.
- c) Transparent Framework -Investigating complaints with no fees to be paid, transparent complaint resolution mechanism and its underlying processes are key attributes of any consumer complaint resolution mechanism.
- d) Real time Complaint monitoring- consumers should be able to monitor their complaints on real time basis. they should be able to know the status of complaint at any point of time. Deadlines for each stage at resolution should be pre decided and should be confirmed and followed while resolution. Swift resolution of complaints is important.
- e) Ongoing refinement- complaints are reflection of areas of improvement in existing mechanism hence there should be flexibility of adapting required changes and ongoing fine tuning is necessity.

- f) Clear division of role and responsibilities- roles, responsibilities and goals behind every resolution of complaint should be well defined so that no mess at real time resolution of complaints occurs.
- g) Standalone review or effective appeal processes- independent review processes by internal members or appeal processes by external members facilitates different insights, solutions to every complaint and hence this step should be part of consumer Redressal mechanism for increasing its effectiveness.
- h) Study Consumer science- Internal members of organization should study and analyse complaint data in detail like consumer usage behavior, trend of using service, demographic profile of consumers, geographical circumstances of consumers for having better idea for resolution of complaint.

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