

Govt to outsource small investor woes

Ministry of corporate affairs plans to get private parties to respond to hundreds of shareholder grievances

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The small investor is about to get some big help.

In a move that is aimed at dramatically improving the handling of hundreds of investor grievances that usually get stuck in understaffed bureaucracy, the ministry of corporate affairs (MCA) has decided to outsource the work to private organizations.

"This is yet another step in the direction of investor protection, which is our top priority in the ministry," said Prem Chand Gupta, minister of corporate affairs, in an interview with *Mint*. "We are in the process of finalizing various other short, medium and long-term measures aimed at educating and protecting investors."

The ministry hasn't yet decided who will get the grievance handling work.

Also on the anvil: 13- and 26-episode television serials on investor education as well as a 52-episode financial literacy quiz to educate the public.

Both these educational initiatives will be largely outsourced to professional institutes, such as the Institute of Chartered Accountants of India, the Institute of Company Secretaries of India and the Institute of Costs and Works Accountants of India.

The ministry gets large batches of letters from aggrieved investors on a daily basis. MCA officials are inevitably caught up in dealing with the bigger cases that require referral to the Company Law Board (CLB) and courts. As a result, they often end up neglecting lesser grievances, which form the bulk of the daily complaints received.

The wholesale outsourcing plan is inspired by the initial success of a pilot initiative, which the ministry claims has resulted in a relatively quick redressal of 40% of complaints relating to shares, debentures and deposits.

"We have seen that outsourcing... investor redressal has helped tremendously (so)... the ministry is thinking of outsourcing matters related to grievances totally," said a senior ministry official who did not wish to be named.

The official pointed to www.investorhelpline.in as the reason why they believe outsourcing is the way to go.

The helpline is linked to the ministry's portal MCA21. The MCA21 portal, www.mca.gov.in/MinistryWebsite/dca/aboutus/aboutmca21.html, has a helpline that is sponsored and aided by the ministry's investor education and protection fund and takes up complaints with defaulting companies on behalf of aggrieved investors.

The helpline has a team of just 11 employees who also follow up with authorities such as the Registrar of Companies, the Securities and Exchange Board of India (Sebi), various stock exchanges and the Reserve Bank of India. The helpline also provides for online tracking and status reports on individual cases.

According to data from the helpline, in the nine months between September 2006 and May 2007, 2,690 grievances were registered with the website. Of these, 670 cases were under litigation and 230 grievance letters were returned on account of

companies changing their names or addresses or shutting shop. Effectively, 1,790 or so cases were taken up for redressal, of which 707, or 40%, were redressed.

"We can't do much about companies that are under litigation," said Virendra Jain, director, Midas Touch Investors Association, which developed the website.

Ashu Garg, a Delhi-based entrepreneur, spent seven years approaching various government offices to get back 100 shares of Paramount Communication Ltd, which were stolen. It took seven months from the time he filed his grievance with the helpline to get back his shares.

Randhir Singh Tomar, an employee of Hindalco Ltd in Renukoot, Uttar Pradesh, invested Rs25,000 in a fixed deposit of CFL Capital Financial Services, a company that was referred to the CLB for a payment default. Tomar got his money back again through the intervention of the website. His grievance was redressed in less than a month.

"From police stations to the Sebi office, I went wherever I could but did not succeed till I read about the helpline and my complaint was settled in much less time than I had expected," says Garg.

Another portal linked to MCA 21 is watchoutinvestors.com, promoted by Prime Database. This alerts investors about dealing with companies or persons that have committed economic offences or are non-compliant in terms of filings with regulators. It has a database of 85,000 individuals and companies that have been indicted by various regulators.

Both websites don't charge for their services and are aided by the ministry's fund. "I would say outsourcing is a good example of public private enterprise," says Prithvi Haldea, managing director, Prime Database. "More importantly, it has helped restore investors' confidence."