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NCAER and Dvara Research host a joint webinar Does the Indian consumer buy better with full disclosure on financial products?

**Dvara Research's study highlights that
consumers are 80-90% less likely to buy high-risk financial products
when exposed to full and accurate disclosures**

New Delhi (Wednesday, March 24, 2021): The National Council of Applied Economic Research (NCAER) in collaboration with Dvara Research recently hosted a webinar on how full disclosures leads to better consumer choices of financial products. The webinar began with **Dr K.P. Krishnan**, IEPF Chair Professor at NCAER welcoming all the participants and informing the audience about the activities of the IEPF Chair Unit. Speaking immediately thereafter, **Dr Indradeep Ghosh**, Executive Director, Dvara Research emphasised that financial suitability is integral to Dvara Research's work, Dr. Ghosh mentioned that *"Information disclosure is part of our suitability efforts, where full disclosures is the first step towards achieving it."* He also mentioned that *"While information disclosure alone is not sufficient, it is one of the foundational steps that can't be missed."* **Ananth Narayan**, Additional Director at Yes Bank and moderator for the session posed some foundational questions for the discussion *"Is financial repression pushing customers towards risky products? Should regulators do more to ensure suitability of financial products for consumers? Beyond regulation, shouldn't boards of financial service providers take up the cause of consumer protection as well?"*

The focus of the webinar was on Dvara Research's recent publication titled "[Impact of Information Disclosure on Consumer Behaviour: Case of AT1 Bonds](#)" authored by Niyati Agrawal, Monami Dasgupta, Monika Halan, Misha Sharma and Madhu Srinivas. In this webinar, the paper was presented by two of the co-authors, Monami Dasgupta and Niyati Agrawal. They presented results from the experimental study that examined how mis-selling—misrepresentation of a product's suitability for the consumer—can be curbed through full disclosures on financial products.

This research takes importance with the recent incident of mis-selling of Additional Tier 1 (AT1) bonds, where high-net-worth individuals and urban retail investors were mis-sold these bonds with partial and inaccurate information about the risks and returns associated with them.

The paper is authored in collaboration with **Monika Halan**, senior financial journalist and author of *Let's Talk Money*. Speaking about the paper, Halan highlighted the importance of full disclosures in preventing mis-selling and the consumer losses that come with it. *"We are forced to ask the question—had disclosures been meaningful (in the case of AT1 bonds), would people have taken better decisions for themselves? If the risks were marked out in the same language that the benefits were, would rational economic agents—like you and I—have taken better decisions?"*

The study takes two different scenarios, where participants were randomly exposed to either full disclosure, or incomplete and inaccurate disclosures, on the same AT1 bond, a high-risk financial product. They were then asked to decide whether or not they would buy the bond, based on the information that they were given and their own risk appetite and financial goals. The study found that the odds of buying are 80-90% lower when exposed to accurate disclosure as compared to an inaccurate disclosure, showing that full disclosures can have a powerful impact in altering consumer behaviour towards helping them make choices in line with their financial goals.

The webinar also brought together leading industry and policy experts to discuss how these findings—as well as real-world experiences—impact our understanding of consumer protection.

Rajesh Chakrabarti, Dean at the Jindal Global Business School, noted that 'appropriate' disclosures is not simply a matter of black and white, but rather a discussion-based process between consumers and sellers *"What constitutes appropriate disclosure and informed risk-taking? The dilemma is we cannot improve returns without taking risks. On the other hand, mis-estimating the risk in non-conventional instruments is both common and ruinous, particularly when they are hidden in portfolios and pigeon-holed in innocuous sounding asset classes. Requiring special mandatory disclosures for such instruments may be one way to avoid it."*

Krishnamurthy Subramanian, Chief Economic Advisor to the Government of India, highlighted that *"It is important for banking entities to display moral and ethical leadership. When a few institutions start behaving with high ethical standards, it creates public trust and kicks into play a system of ethical wealth creation. Regulators must adopt this view as they work towards improved information disclosure, and strengthen the invisible hands of markets by marrying it with the hands of trust and market ethics."*

Anand Sinha, Former Deputy Governor at the Reserve Bank of India highlighted both national and international experiences in consumer protection and awareness, and highlighted the crucial role that regulators play in advancing consumer protection. *"Trust is the bedrock of an effective financial system. Since ethics and culture cannot be written down purely in commandments, regulators must show the way not only through rule, but also through constant monitoring."*

Ashwani Bhatia, Managing Director, Corporate Banking & Global Markets, State Bank of India, noted that *"As bankers, we have an acute awareness of the responsibility we hold to our customers as managers of their money. When a*

customer walks into our Branch, she expects us to support her in financial goals and expectations, and be responsible with her savings. Financial literacy has a long way to go in our country, which means that a large part of the onus to provide suitable products is ours.”

About NCAER | The National Council of Applied Economic Research

Established in 1956, **NCAER** is India's oldest and largest independent, non-profit, economic policy research institute. NCAER's work cuts across many sectors, including growth, macro, trade, infrastructure, logistics, land, labour, urban, agriculture and rural development, human development, poverty, and consumers. The focus of NCAER's work is on generating and analysing empirical evidence to support and inform policy choices. It is also one of a handful of think tanks globally that combine rigorous analysis and policy outreach with deep data collection capabilities, especially for household surveys. More on NCAER is available on www.ncaer.org.

About Dvara Research

Dvara Research is a policy research institution based in India. Our mission is to ensure that every household and every enterprise has complete access to suitable financial services and social security through a range of channels that enable them to use services securely and confidently.

Since 2008, Dvara Research has been part of several policy-making platforms in the financial inclusion space. It has extensively worked with RBI, Ministry of Finance, SEBI, Insolvency and Bankruptcy Board of India, PFRDA, NABARD, Ministry of Urban Development, among others.

It has four policy initiatives as part of its work, they being Financial Systems Design, Household Finance, Future of Finance Initiative and Social Protection Initiative. More about Dvara Research is available at www.dvara.com/research/

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