

## **GRIEVANCES AND REDRESSAL OF FINANCIAL TECHNOLOGIES IN INDIAN BANKING SECTOR**

**Dr. K.Srilatha,**  
Assistant Professor (A),  
School of Management Studies  
JNTUA, Ananthapuramu.

### **Abstract**

*Financial technologies (Fintech) are an ever-growing market in India and the use of online services has been encouraged by the banking sector in India. However, despite the growing market demands for online financial services the banking sector has faced an increased number of grievances regarding online banking. The aim of the paper is to investigate the various types of grievances and redressal strategies of financial technologies in India. An analytical study based on qualitative analysis of relevant secondary resources has been adopted by the study. The findings of the paper indicate that in 2018-19, 42,768 complaints had been registered under public sector banks and 19,032 cases had been registered under private sector banks. Lack of financial support, faulty system design, lack of knowledge of human resources and inadequate technological infrastructure have been identified as the prime reasons for the increasing rate of complaints. However, various strategies and modes of redress such as mutual settlement and compensation have been identified. Further recommendations for modification with government support have been indicated.*

**Keywords:** Financial technology, Fintech, India, Indian banking sector, Grievances, Redressal

### **Introduction**

Financial technologies (Fintech) have been given importance in the era of digitalisation as it enables financial services to be automated, remote and easily-accessible. The use of fintech is seen in recent companies as both business owners and consumers are able to manage the financial operations. Fintech technologies are algorithm based special software that helps various organisations to operate their financial activities. The main aim of fintech is to assist the organisations to deliver consumer-oriented services and it is being used in government sectors, non-government organisations, retail banking and investment management.

India also utilises various financial technologies that aim at providing the consumers with high-quality and easily-accessible financial services. Among the widely known fintech companies in India, Paytm, Bill Desk, MobiKwik, Policybazaar, ItzCash Card and others are used by the majority of people (Securenow.in, 2021). Due to the rapid technological growth, rising popularity of cashless services and wider use of smartphones and computers contribute to the popularity of such financial technologies that enable the consumers to make payments, transfer money or manage their financial activities. However, disputes, grievances and complaints from the consumers have also been seen while using various fintechs. These grievances are acknowledged by the organisations within the financial sectors and various methodologies are adopted for redressal. Hence, the main aim of this particular article is to investigate the causes of grievances among the consumers and analyse the strategic policies of redressal of financial technologies in India.

Within India, the fintech industry is one of the largest growing industries. There are currently more than 2100 fintech companies in India and it has been estimated that by 2025, the market growth will reach up to \$84 Bn (CAGR 22%) in comparison to the \$31 Bn of 2021 (Investindia.gov.in, 2021). The financial technologies used in India can be defined into three

distinct categories, namely, *wealth tech*, *insurtech* and *regtech* (Investindia.gov.in, 2021). Thus, management of such wide ranging fintechs can be a critical matter that will be addressed in the following study.

Objectives of the study:

- To study the various Grievances faced by the customers in fintech Banking Sector
- To analyse the category wise complaints lodged by customers on digital payment systems
- To study the customers online Grievances disposed by the in fintech Banking Sector

The study follows certain methodological parameters for the conduction of research in order to ensure that data collection and analysis is objective and evidence-based. An analytical qualitative approach has been adopted for the study that is based upon the information gathered from various relevant secondary resources. A deductive research approach has been undertaken for the study as well in order to generate new knowledge based on information on the topic. As mentioned by Mohajan (2018), the adoption of appropriate research methodologies assists the study to discover definite direction towards unearthing new knowledge. The primary materials used for the analytical study are research articles on the topic along with relevant websites and industrial reports. The materials have been gathered from a targeted Google Search. The journal articles are retrieved from various electrical databases such as Google Scholar and ProQuest while using inclusion-exclusion criteria for systematic sampling of the gathered data. These criteria had been set for relevancy, authenticity and validity.

Customer service in recent times has become a point of concern, especially with the growth of a consumer-centric service approach adopted by various industries. The growth of business is intricately related to its ability to manage operations, purchasing and delivery processes that are able to fulfil the demands of the customers and enhance customer satisfaction. As per the words of Kandpal and Mehrotra (2019), the growth of financial technologies within various financial sectors enables the banking sectors to become widely available to consumers and establish sustainable yet remote relations. However, the grievances related to customer services pertaining to the use of fintech have been identified as one of the biggest challenges.

Various fintech services, managing personal finances and payments of consumers are critically based upon the advancement of IT technologies. There are various types of grievances that the banking sector has faced. As stated by Saxena and Kaur (2018), the most common complaints in this regard are deposit accounts complaints, remittances complaints, credit card related grievances and loans and advance related complaints. These complaints are generally registered through an online portal provided by the banks of India or other organisations. The Indian government is highly motivated for the development of an all-inclusive financial sector that uses financial technologies. As mentioned by Singh and Srivastava (2020), the acceptance of online banking methods supports the banking sector to adopt and modify advanced financial technologies. On the other hand, the redressal for the complaints registered from the consumers limits the capacity of these financial organisations to maintain the support of the consumers.

The number of registered complaints for private and public sector banks in India pertains to grievances in online payments and fund transfers. As mentioned by Dey (2020), the number of complaints in public sector banks in 2009-2010 had been 9550 and it had increased to 42,768 complaint cases in 2018-2019. In comparison, private sector banks exhibit lower numbers of registered complaints as 4918 had been registered in 2009-2010 that had increased to 19,032 in 2018-19 (Dey, 2020). The registered complaints in Payment Banks have increased significantly within a year from 56 (2017-18) to 545 (2018-19) (Dey, 2020). Thus, the assessment of the overall complaints number indicates that with the growth of consumers using online financial services, the rate of grievances has increased, which requires the development of redressal techniques. The rise in the number of grievances also indicates the inefficiency of the Indian banking sector to implement strategies for adequate fintech modifications that may be attributed to the lack of proper financial support and investment, especially in the case of public sector banks.

Year	Public Sector Banks	Private Sector Banks	Payment Banks	SFCs	Foreign Banks	Primary Urban Banks	RRBs	Others
2009-10	9,550	4918	-	-	4258	10	181	265
2010-11	9,217	4458	-	-	3196	17	29	245
2011-12	9,221	3245	-	-	1771	11	24	220
2012-13	10,067	4756	-	-	2789	9	19	227
2013-14	10,147	5220	-	-	2837	20	28	222
2014-15	11,016	5268	-	-	1603	23	78	135
2015-16	12,758	7296	-	-	1464	39	108	157
2016-17	15,104	7937	-	-	1237	40	179	234
2017-18	28,641	13834	56	6	1803	124	383	960
2018-19	42,768	19,032	545	39	2,008	136	746	866

**Table 1: Registered number of complaints regarding online banking**

(Source: Bank Ombudsman Annual Report, 2020)

However, the above table also indicates that Regional Rural Banks had acquired development in online banking as 84% decrease in complaints in 2010-11 has been seen, while it had increased 47% in 2013-14 (Dey, 2020). Thus, consumers, especially in the regional rural areas, suffer from uncertainty and lack of reliability, decreasing participation in online banking.

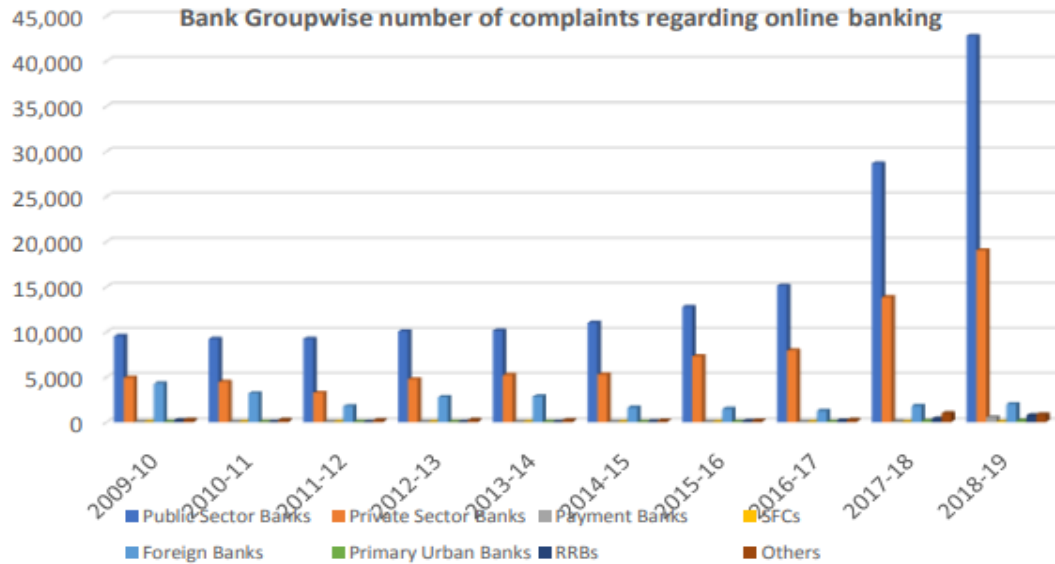


Figure 1: Group wise number of registered complaints from 2009-2019

(Source: Dey, 2020)

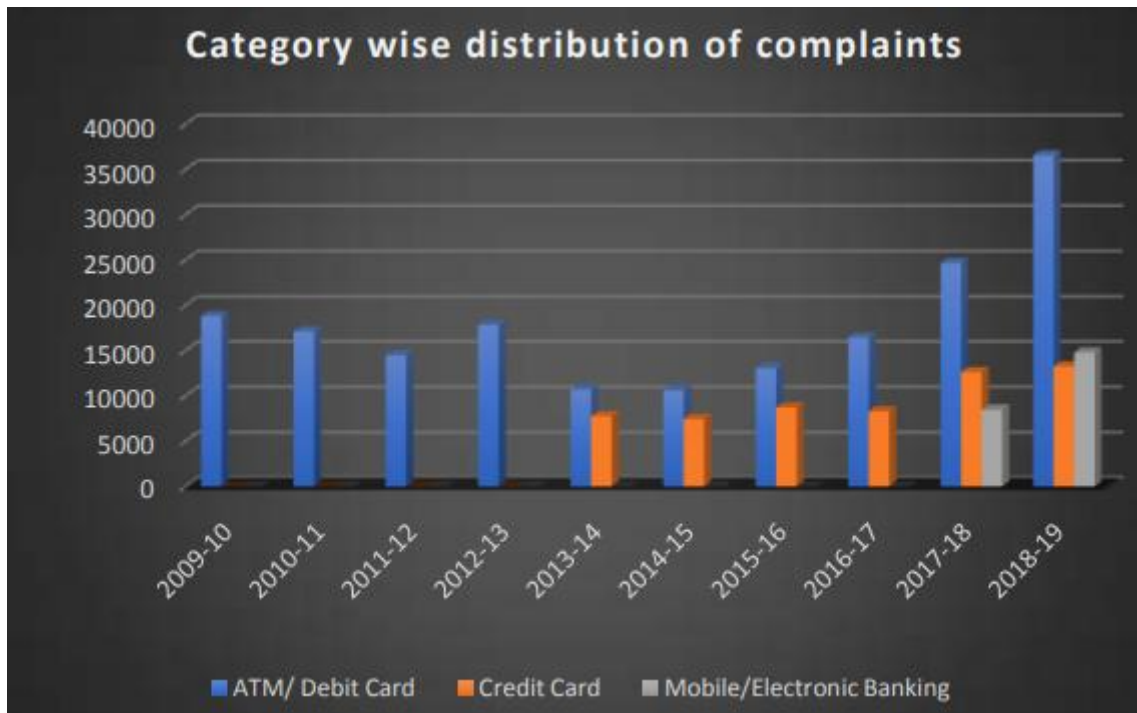
The complaints registered for has been attributed to faulty system design, procedural deficiency, lack of proper work allocations and so on. The number of registered complaints may not be redressed due to the inability of the employees to assess and solve the inherent technological issues that require the attention of IT engineers. The highest number of complaints had been registered for ATM services, amounting to 25% in 2012-13 that had slightly decreased in 2018-19 to 18.65% (Bank Ombudsman Annual Report, 2020).

Year	ATM/ Debit Card	Credit Card	Mobile/Electronic Banking
2009-10	18,810 (24%)	-	-
2010-11	17116 (24%)	-	-
2011-12	14492 (21%)	-	-
2012-13	17867 (25%)	-	-
2013-14	10714 (14%)	7760 (10%)	-
2014-15	10651 (12.5%)	7472 (8.70%)	-
2015-16	13081 (12.70%)	8740 (8.50%)	-
2016-17	16434 (12.55%)	8297 (6.33%)	-
2017-18	24672 (15.08%)	12647 (7.73%)	8487 (5.19%)
2018-19	36539 (18.65%)	13274 (6.78%)	14794 (7.55%)

Table 2: Number of category wise registered complaints

(Source: Bank Ombudsman Annual Report, 2020)

The increased numbers of registered complaints have also been attributed to the growth of online banking apps. As suggested by Yang *et al.* (2019), the use of third-party fintech services for payments has increased the risk of financial frauds in recent times. 74% increase in registered companies has been seen within a year (Dey, 2020). It is a clear indication of the faulty financial technologies and the lack of proper technological infrastructure that limits the collaboration of banks and third-party finch companies that are widely used for online payment services.



**Figure 2: Distribution of registered complaints**

(Source: Dey, 2020)

The necessity for redressal is stark in this regard as the piling registered grievances of financial technologies may lead to the significant loss for both the banking sectors and the consumers. As per the words of Vučinić (2020), the rising rate of cybercrimes generates risks pertaining to the lack of proper security and technological infrastructure. Within the Indian banking sector, the components for grievances can be registered at the branch levels. Failure to provide resolution for the registered grievance is forwarded to the internal banking ombudsman, to the Chief Customer Service Officer (Malyadri, 2017). However, in many cases, the underlying reason for grievances remains the lack of proper technological management, poor or ineffective system design and the absence of machine learning technologies for algorithm analysis.

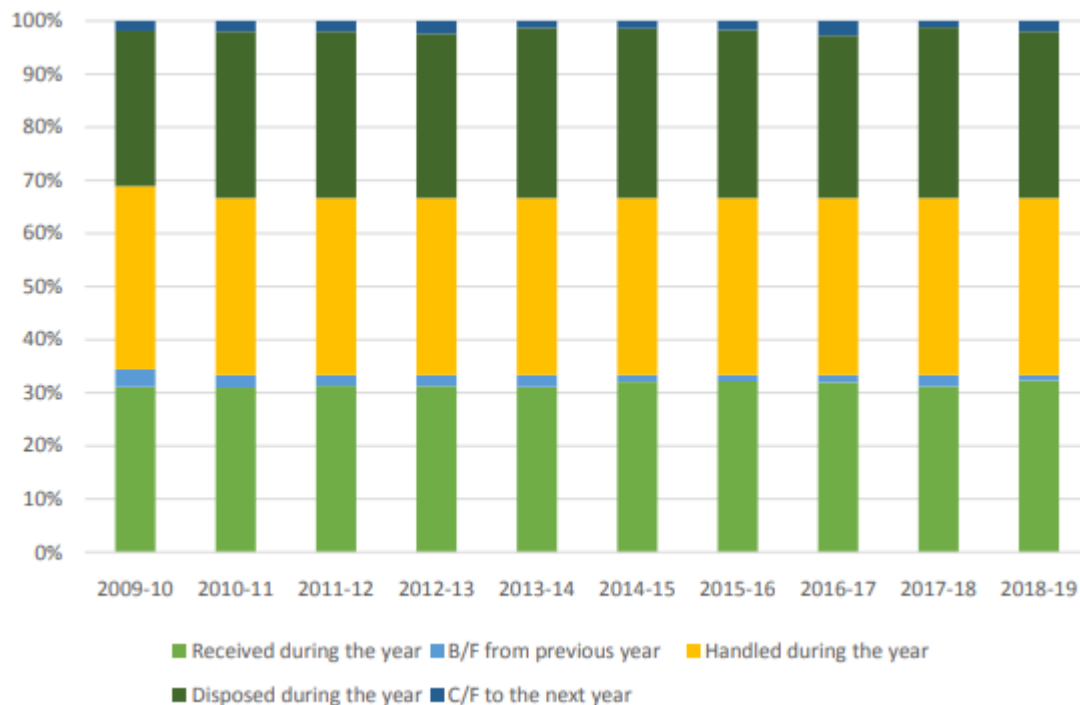
Despite the rising complaints in the last decade, the number of redressals has unfortunately remained average. In 2017-18 the disposal rate was 96.46% (Bank Ombudsman Annual Report, 2020). However, the redressal rate remains inefficient as the highest number of complaints had been registered in 2018-19.

Year	Number of Complaints					
	Received during the year	B/F from previous year	Handled during the year	Disposed during the year	Rate of Disposal (%)	C/F to the next year
2009-10	88,699	9,433	98,132	83,336	94%	5,363
2010-11	71,274	5,364	76,638	72,020	94%	4618
2011-12	72,889	4,618	77,507	72,865	94%	4642
2012-13	70,541	4,642	75,183	69,704	93%	5479
2013-14	76,573	5,479	82,052	78,745	96%	3307
2014-15	85,131	3,307	88,438	84,660	96%	3778
2015-16	1,02,894	3,778	1,06,672	1,01,148	95%	5524
2016-17	1,30,987	5,524	1,36,511	1,25,296	91.78%	11,215
2017-18	1,63,590	11,215	1,74,805	1,68,623	96.46%	6,182
2018-19	1,95,901	6,182	2,02,083	1,90,014	94.03%	12,069

**Table 3: Redressal of complaints**

(Source: Bank Ombudsman Annual Report, 2020)

Moreover, the number of complaints that have been carried forward in the last year is 12,069 (2018-19) (Bank Ombudsman Annual Report, 2020). This clearly indicates the inability of the customer services in India to provide swift and efficient services that may contribute to the decrease of consumer complaints.



**Figure 3: Disposal of complaints (2009-2019)**

(Source: Dey, 2020)

The mode of redressal for the consumers indicates the necessity for the development of effective policies. As mentioned by Singh and Kaur (2017), the redressal of grievances within the financial sector is required to be conducted with honesty. The financial factors should be subjected to settlement and compensation, in case of failure on the part of the organisation. 88% (2018-19) of complaints within the Indian banking sector are disposed of by mutual settlement (Bank Ombudsman Annual Report, 2020).

Year	Disposal of maintainable complaints				
	By Mutual settlement	By Award	Complaints rejected	Complaints withdrawn	Total
2009-10	20,092(54%)	211(1%)	15,066(32%)	-	46555
2010-11	21,269(60%)	278(1%)	13,952(39%)	-	35499
2011-12	31,278(67%)	327(1%)	17,036(45%)	-	37455
2012-13	19883(50%)	312(1%)	19205(49%)	-	39400
2013-14	19469(43.50%)	207(0.5%)	24960(55.60%)	186(0.4%)	44822
2014-15	16893(39.30%)	87(0.2%)	25976(60.30%)	79(0.2%)	43035
2015-16	18031(35.93%)	18(0.04%)	31946(63.65%)	192(0.38%)	50187
2016-17	26535(42.43%)	31(0.05%)	35,792(57.23%)	181(0.29%)	62539
2017-18	54987(65.82%)	133(0.16%)	28,259(33.82%)	153(0.18%)	83532
2018-19	64470(69.88%)	98(0.11%)	26,905(29.16%)	791(0.86%)	92264

**Table 4: Mode of redressals**

(Source: Bank Ombudsman Annual Report, 2020)

Therefore, it can be stated that despite the rise in grievances, the current modes and strategies are to be modified further for proper redressal that garners increased customer satisfaction.

**Discussion**

The analysis of various aspects pertaining to the grievances and redressal techniques of financial technologies India, as seen above, presents the critical necessity of developing technologies. As manifested by Selvaraj and Ragesh (2018), the process of receiving constant and valuable feedback from the customers helps in the development of remedial strategies. The requirement of feedback has been addressed by various private sector financial organisations that may have contributed to the lower number for complaints, in comparison to the public sector. Active participation of the Indian government is a necessity in this regard. *Banking Ombudsman Scheme 2006* is being operated for the collection of grievances and redressal procedures (M.rbi.org.in, 2021). Following the structure for complaint registration and redressal related to the Indian banking sector is operated effectively with this scheme; however, there is a distinct lack of swiftness in conduct.

The strategies for redressal are also to follow various strategies that will ensure that swift action is taken. However, as the rate for resolution of grievances are carried forward to the next year, the system infrastructure requires modifications. As stated by Omoregie and Kelikume (2017), various compensation policies are provided to the customers in order to maintain a healthy relationship with the customers. However Saxena and Kaur (2017) indicate that these resolution schemes often remain ineffective due to the lack of proper strategic implementations. The creation of a redressal service that is independent has helped the Indian banking sector to manage the issues regarding the banking sector. The implementation of an effective redressal service of financial technologies in India requires the development of technological infrastructure and financial support from the authorities.

**Conclusion**

The growing popularity of fintech in the Indian market is marked by the growing market size in the country. However, there are certain factors regarding grievance redressal that are faced with challenges due to lack of efficient system designs, poor collaboration with third-party fintech servers, lack of proper human resource allocation and inadequate financial support.

The main constraint faced by the Indian banking sectors leads to slowness and dissatisfied customer services that limits the capacity often organisations provide proper support for the customers. On the other hand, loss of customer trust limits the participation in online banking services.

The registration of grievances and resolution of the same is currently conducted by an autonomous body under the *Banking Ombudsman Scheme 2006* that ensures that customers are provided with mutual settlement or proper compensations. However, inadequacy in services has also been indicated due to the rising number of registered complaints yet the average rate of complaint disposals. Thus, it can be concluded that the development of innovative schemes of grievance and redressal will be most effective with the advancement of IT innovations for fintech. Inclusion of machine learning for algorithm analysis and processing can be recommended that will ensure that consumers are able to utilise a risk-free and hassle-free online service. In conclusion, the current state of financial technologies in India requires proper modifications that will be able to reduce the number of grievance complaints and increase customer satisfaction levels. Though RBI is taking stringent initiatives for reducing grievances of the customers, still it is required to have better policies for quick redressal mechanism of grievances.

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