



CAG

Citizen consumer and civic Action Group



DIGITAL FINANCIAL SERVICES

**A study to understanding consumers'
perspectives, experiences and
knowledge of digital finance/banking**

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Disclaimer: The information in this report is taken from a study conducted by CAG across thirty districts of Tamil Nadu. The authors accept no liability whatsoever for any direct or consequential loss arising from the use of this document or its contents.

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About CAG

CAG is a 36-year-old non-profit and non-political organisation that works towards protecting citizens' rights in consumer, civic and environmental issues and promoting good governance processes including transparency, accountability and participatory decision-making.

Glossary and abbreviations

PIN - Personal Identification Number

CVV - Card Verification Value

URLs - Uniform Resource Locators

BHIM - Bharat Interface for Money

UPI - Unified Payment Interface

VPA - Virtual Payment Address

IMPS - Immediate Payment Service

RBI - Reserve Bank of India

NEFT - National Electronic Fund Transfer

NPCI - National Payment Corporation of India

PPI - Prepaid Payment Instrument

RTGS - Real Time Gross Settlement

OTP - One Time Password

ATM - Automated Teller Machine

IVRS - Interactive Voice Response System

CSOs - Civil Society Organisations

SMS - Short Message Service

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1 INTRODUCTION

This is the age of the internet. Online financial services have restructured the financial network, with great numbers of people now accessing digital financial services. According to the World Bank [database](#), in developing countries alone, the number grew from 57% in 2014 to 70% in 2017. Another [recent study](#) says that the absolute number of online financial services users will surpass 3.6 billion by 2024, up from 2.4 billion in 2020; a 54% increase. It says that these developments will be driven by the increased number of popular digital banks. This has set the stage for a slew of scams - each one more sophisticated than the one before and all intended to make us part with our hard-earned money.

1.1 Digital Financial Services

Digital finance has become a part of everyday life. It eases a range of day-to-day activities like bill payments, shopping and accessing other financial services. While the current share of those accessing online digital services from urban and semi-urban communities is already massive, we anticipate further growth in the coming years.

At the same time, accessibility to digital financial services remains a challenge in rural and remote localities. The huge urban-rural divide, lack of digital financial education, not having smartphones, gender disparity and poor data/ network connectivity are some of the reasons for this. But India is determined to take digital financial services to every nook and corner of the country, as was evident from Finance Minister Nirmala Sitharaman's [budget speech](#).

While it's undeniable that digital financial services have recast the financial scenario across the world, equally undeniable is the fact that it has grown to pose serious threats to consumers through fraud, phishing, data misuse and privacy breaching. If we are to keep this space free from the criminal-minded and thus safe for users, we need robust protection technologies, swift redressal mechanisms and vigilant consumers.

2 Study Methodology

2.1 Data Collection

The study was developed and administered targeting general consumers across 30 districts in Tamil Nadu viz. Mayiladuthurai, Theni, Dindigul, Tiruppur, Thiruvanamalai, Thiruvarur, Nagapattinam, Vellore, Coimbatore, Salem, Erode, Namakkal, Cuddalore, Kancheepuram, Thiruvallur, Tirunelveli, Nilgiris, Sivagangai, Thirupattur, Madurai, Karur, Pudukotai, Ramanathapuram, Thanjavur, Villupuram, Krishnagiri, Dharmapuri, Ranipet, Chengalpattu and Chennai. The study focused on: 1) Inclusivity 2) Data Protection 3) Safety and Sustainability. The study followed a random sampling technique with close-ended questions and targeted 3644 participants.

3 Findings from the study

3.1 Awareness of online banking

The majority of the respondents, about 83% have knowledge or have heard about online banking. While the remaining 17% were not aware of it.

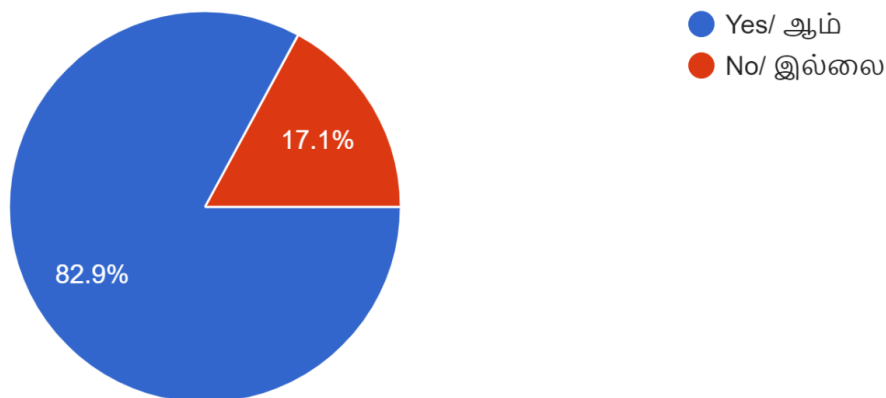


Fig 1: Awareness of online banking - the percentage of respondents who had some awareness of online banking

3.2 Using online banking

Of the majority (86%) who have heard about online banking, only 60% actually use online banking services, while around 40% do not use it for the following reasons: not knowing how to use it, not trusting online banking platforms, not feeling safe and comfortable using it, not having any access to smart technology to use this feature, illiteracy and personally preferring to visit banks to avail services.



Fig 2: Using online banking - the percentage of respondents who don't use online banking and their reasons.

3.3 Experience (in years) of using online banking services

Respondents reported using online banking for more than 10 years. Around 48.4% comprising young adults and senior citizens report having begun with online banking only recently (under 2 years). 33.3% of respondents report using the services between 2 and 5 years. Around 16.6% of respondents report using it over a period of 5-10 years. Only 1.6% of the respondents report the experience of using online banking services for over 10 years.

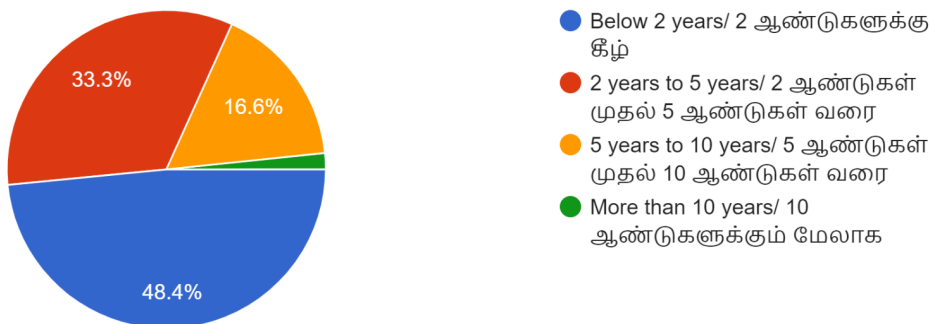


Fig 3: Experience (in years) of using online banking

3.4 Online banking platforms by popularity

The study assessed the use of different banking platforms found to be popular among the general public. These are bank applications, net banking, bank cards, digital wallets and the UPI platforms. Out of these, the most used platform was found to be net banking, followed by bank cards, UPI platforms and bank applications. The least used was the digital wallets.



In recent days, UPI platforms have gained popularity as they allow customers to make and accept payments from users of different payment apps. Among the UPI platforms, Google Pay, Phone Pe and Paytm have been reported as the preferred apps.

3.5 Reasons for using digital platforms

The respondents reported ease and convenience as the top reason for accessing digital financial platforms. The second top reason was that it saves time and money. Respondents also reported opting for digital platforms as it facilitates e-commerce transactions.

#1 Easy and Convenient

#2 Saves time and money

#3 Facilitates e-commerce transactions

3.6 Help with daily transactions

Respondents were asked to specify how they carry out their daily transactions and if they typically got assistance from family members, children, or their friends. 1948 respondents reported carrying out transactions themselves. 254 of these respondents

also, on occasion, needed help from their children and their friends.

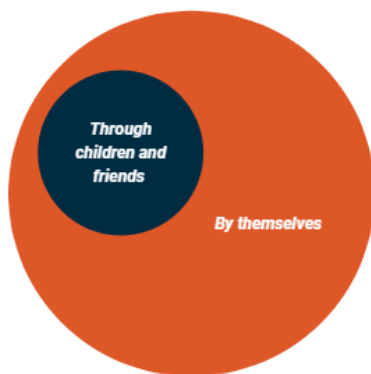


Fig 4: Help with daily transactions

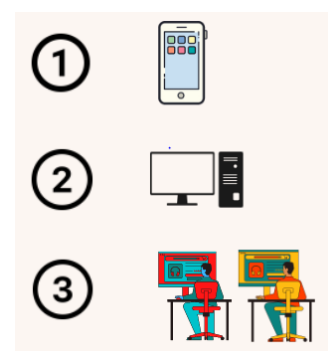
3.7 Engaging agents for transactions

It is a well-known fact that people who are socially and educationally deprived depend on external agents to do their daily transactions, avail bank services and make ATM withdrawals. There are risks associated with such dependency. According to the survey, almost half of the respondents (48.8%) are not aware of the fact. According to the survey findings, the reasons why they engage with external agents are for business purposes, it is easy and convenient, and saves time.



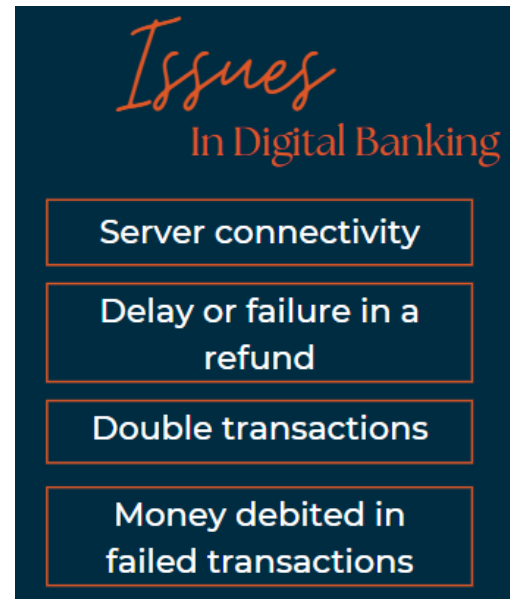
3.8 Devices used

The most used device or gadget for online banking was found to be mobile phones, followed by home computers and then net-centre computers.



3.9 Issues with digital banking

More than half (52.1%) of respondents reported facing issues while using digital banking. Out of these, problems like server connectivity, delay or failure in a refund, double transactions and money debited in failed transactions were the foremost complaints from respondents. Respondents also reported facing other issues like wrong transactions, money lost in transit, accounts getting hacked, compromised personal information, difficulty in understanding the terms, and too many distractions like pop-up ads during transactions.



3.10 Customer Care Support

More than half of respondents (around 52.6%) have approached customer care for redressal of their grievances, out of which, 28.7% have had a bad experience contacting and getting their complaints rectified. The reasons which were reported as causing an unpleasant experience were no response/ solution being given, no action being taken, not being able to reach the executive, and availability of an IVRS facility only.



4 Consumer Guidance Seminar

Following the study, CAG organised a consumer guidance seminar titled “Digital Financial Services”, to disseminate the study findings among CSOs of Tamil Nadu and create awareness on the subject. CSOs, consumers, students, and faculty members from two colleges in Chennai participated.



Keeping the theme of safe online transactions central to the event, Mr. Vinodh Rajkumar from the RBI elaborated on the different payment methods, explaining how

systems like the UPI are one of the biggest networks in the world. ‘They are meant to make our lives easier and the RBI goes to great lengths to ensure that the systems it regulates are safe to use. However, we need vigilant consumers’ he said. ‘We have redressal mechanisms in place, but these will not apply if the customer has shared his PIN or OTP’.

Ms. Anubhuti Singh, Dvara Research, who spoke on accessibility, said that as per a survey conducted by Dvara Research, only 34% of women use smartphones in India whereas it is 55% among men; this clearly shows the disparity in usage. She said that RBI has come up with new techniques to address the gap in digital finance by including an SMS option in feature phones - these could be used to make digital payments to anyone in India. Ms. Singh went on to emphasise the need for safe digital transactions. ‘A nation like India that is committed to creating successful and extensive digital ecosystems that revolutionise our economy cannot afford to have large segments of its population apprehensive of using digital services. When financially fragile individuals are burnt even once by these scams, they don’t want to try accessing digital services ever again’ she said, narrating the story of a small-time vendor who had lost money to a scammer. ‘We need to keep these human touchpoints in mind when developing policies’, she added.

Mr. Yogesh Sapkale, from Moneylife Foundation, explained how the KYC details, shared by consumers, were often misused and emphasised the need for a centralised KYC process that could be monitored in a better manner. He also spoke about the available grievance redressal mechanisms in detail. He warned against posting personal information on social media as ‘scammers can easily glean information from this that we had never intended to share’.

5 Public Awareness Messaging

At the end of the study, CAG developed a booklet (in [English](#) and [Tamil](#)) and a series of social media messages that were distributed to members of the public. The aim was to create a more vigilant public. Some of the excerpts from the messaging activity are recorded here:

These are the common terminologies that a user (and the reader, in this instance) need to be familiar with, to understand digital safety.

E-Wallets - E-wallet is a digital wallet on an application (app) where money from the bank account can be transferred and stored to make purchases/transactions easy.

URL - It is the internet address that appears in the search bar

BHIM - BHIM is a UPI based payment interface that allows real-time fund transfer using a single identity like your mobile number or name

VPA - It is a unique identifier that you can use to send and receive money on UPI. Think of it as an email ID that you can use to transfer money.

UPI - It is a payment interface in digital platforms that uses VPA for a person to person and person to merchant transactions.

IMPS - IMPS is an innovative real-time payment service that is available round the clock. This service is offered by the NPCI which empowers customers to transfer money instantly through banks and RBI authorized PPI issuers across India.

NEFT - NEFT is a nationwide centralised payment system owned and operated by the RBI.

RTGS - It is a payment settlement system that transfers money from one bank to any other bank in real-time and on a gross basis.

5.1 How cautious should one be

5.1.1 Beware of Fraudulent calls/messages/emails

Fraudsters may call/message/e-mail you or your family members requesting money transfers. There are high possibilities that these are spam messages. Check in and confirm with the family member and their whereabouts before responding to such calls. Even if such calls pretending to be from your bank, never give out your online banking password, OTP, ATM or mobile banking PIN, CVV number, or expiration date. Remember that no bank or its staff will ever call or email you to ask for these details. Never reply to emails claiming to be from your bank and requesting the above information. Such instances should be notified to your bank right away.

5.1.2 Get rid of Phishing

Disregard any advertisement you may get over email / SMS with claims that you can make money with little or no effort/ risk/ investment. It's a trick. These deals appear to be too good to be true, and you may lose money as a result. You may get emails/messages with links that may appear to be legitimate. However do not click on the links if it appears unsolicited (ie, from an organisation or a service you have not contacted yourself). They will direct you to harmful websites and/or your data may be compromised

5.1.3 Have a complicated password/Bank card/PINs/CVV

To prevent scammers from guessing passwords, always use strong passwords and unique ID/password combinations for various accounts. Use upper and lower case alphabets, numbers, and special characters in your passwords to make them more secure. Passwords like Jan@2018, admin@123, password@123, or your date of birth should be avoided. Change the passwords on your online banking accounts on a regular basis. Make sure the bank card credentials, PIN and CVV numbers are safe and secure. Do not disclose or write it down.

6 Conclusion

The internet has transformed how financial services work. It has brought ease and convenience at levels we have never known before. But along with this have come the scams - clever, complicated schemes that either steal our identity and then our money or get us to willingly part with our money, and personal details. No one is exempt from this; but particularly vulnerable are the senior citizens and semi-literate population who have been forced to come to terms with a cashless society. CAG

found that nearly half of the users audited (who use digital financial services) are unaware that using third parties for online banking transactions is risky. Apart from the convenience digital finance brings to our lives, digital financial services can also be extremely empowering. But for this to really be a boon to the public, we need a combination of secure systems, redressal policies and a vigilant public.