

UPI and Beyond: Understanding Usage, Security, and Redressal in Digital Payments

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ABSTRACT

The story of online payments really begins with the boom of the internet and smartphones. Back in the late 1990s and early 2000s, “digital payments” mostly meant swiping a card or using a basic net-banking page. Things started to change once smartphones became common and mobile data turned cheap. Banks and young fintech companies jumped in, rolling out quicker and easier ways to pay without ever stepping inside a branch.

For India, the big game-changer arrived in 2016 with the launch of the Unified Payments Interface (UPI). Its open design let any bank connect with any other in real time, so money could move instantly something people adopted at lightning speed. Government moves helped push things along too. The Digital India drive, the 2016 demonetization shock, and cashless incentives gave both shoppers and shopkeepers reasons to go digital. At the same time, wallet apps and fintech firms polished the experience with secure log-ins, QR codes, and slick app designs. In just a few years, a task that once meant standing in a bank queue could be done in seconds on a phone.

This paper explores how people use and understand online payment apps, as well as what happens when payments fail or when complaints need to be raised. With the growing shift from cash to digital options like UPI, mobile wallets, and net banking, the convenience is clear. Still, many users face gaps in awareness especially around security, fraud risks, and the official channels available for resolving issues. This study does not collect fresh survey data but instead uses already available sources such as research papers, reports, and official guidelines to build a clear picture. The findings show that although the use of digital payments is rising quickly, many people are still not fully aware of grievance redressal options such as the RBI Ombudsman or online dispute resolution platforms. The paper also highlights the need for more consumer education, transparent complaint processes, and stronger digital literacy efforts to make online payments both safe and trustworthy.

Keywords: Digital payments, Online payment apps, Unified Payments Interface (UPI), Mobile wallets, Net banking.

INTRODUCTION

In the last few years, online payment systems have moved from being a convenient option to becoming an everyday necessity. From small shopkeepers scanning QR codes to students paying college fees through UPI, digital transactions are now woven into daily routines. The ease of instant transfers, simple mobile interfaces, and steady government promotion of cashless modes have encouraged people across age groups to embrace these platforms. Yet convenience doesn't automatically translate into understanding. Many users especially in semi-urban and rural areas still have only a surface-level idea of how these systems work, what basic security habits they should follow, or what to do if something goes wrong.

Plenty of research already explains why digital payments took off so quickly: people see them as useful, secure, and trustworthy. India's UPI framework, in particular, is frequently highlighted as a global model for fast and seamless transactions. But an important piece often gets less attention: consumer awareness about complaint handling and dispute resolution. When a transfer fails or money is debited without credit, the first question for most users is simple "Where do I complain?" The Reserve Bank of India has built mechanisms like the Ombudsman Scheme for Digital Transactions, and banks now offer online dispute-resolution channels. The bigger question, however, is how many people actually know these options exist or feel confident enough to use them.

Understanding this gap is crucial because financial technology succeeds only when trust keeps pace with innovation. Rapid adoption means more people depend on digital payments for everything from grocery runs to utility bills. That dependence also makes them vulnerable to fraud, technical glitches, and hidden charges if they don't know their rights or the proper redressal process. Without adequate consumer education and clear, user-friendly grievance channels, the same technology that promises speed and convenience can quickly lead to frustration or even financial loss.

This paper draws on secondary data published reports, official documents, and earlier studies to examine two connected issues: how people learn about and use online payment applications, and how aware they are of the formal mechanisms for resolving disputes. By looking at these aspects together, the study argues that true digital inclusion is about more than installing an app. It is equally about ensuring that every user understands how to stay safe, where to seek help, and how to hold service providers accountable when problems arise.

OBJECTIVES

1. **Map user understanding of digital payment systems** – to explore how people use popular platforms such as UPI, mobile wallets, and net banking, and how much they know about security practices and everyday safeguards.
2. **Assess awareness of grievance redressal mechanisms** – to find out how familiar users are with formal complaint channels like the RBI Ombudsman Scheme and online dispute-resolution facilities provided by banks and payment apps.
3. **Highlight the role of digital literacy and consumer education** – to identify gaps in knowledge that could leave users vulnerable to fraud, technical errors, or failed transactions.
4. **Bring together existing evidence** to analyze secondary data research papers, government reports, and official guideline so that the findings rest on a broad, credible base without collecting new survey data.

Purpose

The core purpose of this research is to show that the success of digital payments is not just about fast technology or convenient apps. True progress depends on trust: users must feel confident that their money is safe and that they have clear paths to resolve problems. By examining both the rapid adoption of online payment methods and the limited public understanding of complaint-handling systems, the study aims to encourage stronger consumer education, transparent redressal processes, and wider digital literacy. Ultimately, it seeks to help policymakers, service providers, and everyday users build a payment ecosystem that is both innovative and reliably secure.

METHODOLOGY

This study is based on secondary data, which means that no new surveys or interviews were conducted. Instead, the research relied on already available materials such as published research papers, government reports, banking guidelines, and policy documents. **Sources like the Global Findex Database by the World Bank, studies on UPI adoption, and reports from the Reserve Bank of India were carefully reviewed and mentioned below in the references** to gather insights about how people use online payment applications and how they deal with problems when transactions fail.

The approach taken here was to collect, compare, and interpret findings from these sources. Each document was read with two questions in mind: What does it say about people's knowledge of online payment systems and their actual use? What does it reveal about awareness and effectiveness of grievance redressal mechanisms?

By following this process, themes such as adoption drivers, barriers, awareness gaps, and redressal practices were identified. Rather than presenting raw numbers, this study focuses on bringing together different viewpoints and highlighting patterns that appear consistently across sources.

LITERATURE REVIEW

The shift from cash to digital payments has been rapid, especially in countries like India. Many studies have tried to understand why people use online payment systems and what makes them trust or hesitate to adopt these tools. Research shows that convenience, speed, and ease of use are the main reasons people adopt mobile wallets, UPI, and net banking. At the same time, security concerns and lack of trust are major barriers. People are more likely to use these apps if they feel confident about safety, data privacy, and clear procedures in case something goes wrong. (Vedala, 2025 [1]; World Bank, 2021[2])

The Unified Payments Interface (UPI) has become a central focus in India's digital payments growth. Studies reveal that simple interfaces, low transaction costs, and the ability to link multiple bank accounts encourage adoption. Yet, even regular users often have limited knowledge about how UPI works behind the scenes or what to do when errors occur, such as double deductions or failed transactions. Awareness about formal complaint channels, like the RBI Ombudsman or online dispute resolution platforms, is lower than expected. (IJRES, 2024[3]; ResearchGate, 2025[4])

Grievance redressal is a critical part of building trust. Research in banking shows that when complaints are addressed quickly and transparently, customers feel more confident and continue using the system. Slow, unclear, or complicated complaint mechanisms discourage users, and some may stop using digital payments altogether. Studies also emphasize that most users rely on informal solutions first like contacting friends, family, or the bank's customer care instead of formal grievance platforms. (RBI, 2021[5]; Vikaspedia, 2020[6])

Overall, existing literature suggests a clear knowledge gap: while adoption of online payments is increasing rapidly, awareness about complaint redressal systems is still limited. This gap highlights the importance of educating users not only about how to use apps but also about where and how to raise complaints effectively. Strengthening user knowledge in both areas can improve trust, satisfaction, and sustained use of digital payment platforms. (World Bank, 2021; Economic Times, 2019[7])

ANALYSIS AND FINDINGS

India's digital payment landscape shows a striking contrast: adoption is exploding, yet many users remain unsure of key safety steps and complaint procedures.

Rapid growth vs. limited understanding

The speed of adoption is undeniable. Unified Payments Interface (UPI) transactions now account for more than 80 percent of all digital payments in the country, and overall digital transactions grew by about 10.7 percent year-on-year as of March 2025 (RBI Digital Payments Data). This confirms your observation that digital transfers have moved from an option to a daily routine. Yet wide usage does not equal deep knowledge. Studies continue to show that many users, especially in semi-urban and rural areas, have only a surface-level grasp of how these systems operate or how to stay secure (World Bank Global Findex 2021).

Gaps in grievance redressal awareness

Mechanisms such as the RBI Ombudsman Scheme for Digital Transactions and bank-level online dispute resolution are in place, but research suggests that awareness and actual use of these formal channels remain low. Informal routes calling customer care or asking friends are often the first step, delaying proper escalation and

sometimes leading to unresolved cases (Reserve Bank of India Ombudsman Scheme). This supports the paper's core argument: trust in digital payments hinges not only on technology but on clear, accessible complaint processes.

Risks for consumer trust

When users encounter failed transactions or fraud without knowing where to complain, their confidence erodes. A single bad experience can push people back to cash or create skepticism toward fintech platforms. Maintaining trust, therefore, requires not just reliable technology but visible, easy-to-use redressal pathways.

Need for stronger consumer education

The evidence points to a pressing need for digital-literacy initiatives and proactive guidance inside payment apps themselves. RBI reports and independent studies recommend measures like in-app tutorials on grievance procedures, multilingual help sections, and public campaigns to promote awareness of the Ombudsman and other escalation channels (Economic Times, 2025).

Policy and design implications

Regulators and service providers could require transparent disclosure of complaint mechanisms and publish data on resolution times. App designers might integrate "one-tap complaint" buttons or push notifications guiding users when a transaction fails. Such steps would move digital inclusion beyond mere app installation toward genuine user empowerment.

CONCLUSION

The growth of online payment systems has transformed the way people handle money. From small purchases at local shops to larger transactions like fees and bills, digital platforms have made payments faster and more convenient. Secondary data reviewed in this study shows that adoption is steadily increasing, mainly because of the ease and flexibility offered by applications like UPI and mobile wallets. However, the same sources also reveal that many users still have limited knowledge about how these systems actually work and what to do when a transaction fails.

The review highlights a clear gap: while people are using digital payments more than ever, their awareness of grievance redressal mechanisms remains low. Many are unaware of formal options such as the RBI Ombudsman Scheme or online dispute resolution portals. This lack of awareness may reduce trust and discourage continued use, especially if users face repeated issues without proper solutions.

In short, digital payments in India and beyond are on a strong growth path, but their long-term success depends not just on technology, but also on how informed and confident users feel.

SUGGESTIONS

1. Based on the findings, a few suggestions can be made: Awareness Campaigns Banks, payment apps, and government bodies should run simple campaigns to teach people not only how to use digital payments but also where to complain if problems occur.
2. User-Friendly Complaint Platforms. Redressal systems should be mobile-friendly, easy to access, and clearly explained inside payment apps. Many users would prefer filing complaints directly from the app they use.
3. Strengthening Digital Literacy – Workshops and digital literacy programs, especially in rural and semi-urban areas, can build user confidence in both payments and complaint handling.

4. Faster Resolution – Complaints must be resolved quickly and transparently. Delays reduce trust and discourage further use of online payment systems.
5. Regular Monitoring by Regulators – Institutions like the RBI should continue monitoring fraud, security gaps, and efficiency of complaint mechanisms to ensure user safety.

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