Bottom-up approach to grievance redress in digital payments

Conference on building India’s payment ecosystem

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UNDERSTANDING CONSUMERS
Recognise distinctness

- Education
- Economic indicators
- Awareness
- Language
- Social indicators
- Age
- Gender

Not a homogenous class
Appreciate urgency

Mass market customers oscillate between four discrete financial phases

Comfort zone: In this zone, the HH money* is sufficient to meet expected and sudden expenditure e.g. a life event. Cash-flows happen as planned and financial goals seem achievable.

Fluid zone: The shortfalls in HH finances are foreseeable so enough money is usually set aside to cover them. While in this zone, dipping into savings is the first recourse for all types of mass market customers; followed by small loans from informal avenues.

Stress zone: Household income and savings are no longer adequate to cover spiralling expenses – some of them unexpected. Credit value increases and so do liabilities. Assets may also be liquidated.

Blast zone: Savings have been used up; any money coming into the household is insufficient to meet expenses; and unplanned events occur that are catastrophic for the financially desperate individuals and their households. Loans are taken from friends, family and moneylenders (at very high interest rates). The quality of life deteriorates as the household is pushed into a financially vulnerable situation.

*Money in the household is the amount of the current household income plus any money which was left over from the previous in-flow.

**Financial behaviour is defined as their decision with respect to financial products and formal/informal avenues.

Source: Microsave, Understanding Financial Behaviour of Mass Market, March 2017
Identify facilitators

Five Consumer Personas to Unlock Digital Adoption

Omidyar Network has commissioned a human-centered design study to better understand consumers and uncover their behaviors that are likely to drive adoption of digital financial services in India. “Currency of Trust: Consumer Behaviors and Attitudes toward Digital Financial Services in India” also brings valuable insights and strategies to help financial services providers better reach and serve a broad set of consumers through digital solutions.

Aspirants
- Young adults looking to become financially independent
- Desire to own a smartphone
- Eager to adopt the latest trends
- Believe in technology, but are discovering uses for it

Collaborators
- Rely on their community for guidance and advice
- Participate in group and community-based savings and loans programs
- Trust door-to-door agents’ advice on financial products
- Believe that banks are not for them

Conformists
- Restrained by family and social norms
- Save money secretly
- Have access to technology, but are hesitant to take advantage of it

Masters
- Go-to experts in their community, help introduce new things
- Outgoing, social, thrive on their community status
- Deal-seekers

Pragmatists
- Pro-active and entrepreneurial
- Value ease and convenience
- Looking for cost efficiencies and incentives

Source: Omidyar, Currency of Trust, May 2017
UNDERSTANDING GRIEVANCES
Types of grievances

Complaints in Banking and Financial Sector (in %)

- Claim/Refund related: 13%
- Deficiency in services: 33%
- Debit/Credit related: 15%
- Illegal transaction from account: 10%
- Amount deduction from account: 8%
- Sold Insurance Policy by Mandatory/Cheating: 8%
- Other: 13%

Concerns with assisted payments

- No genuine record of transactions
- Risk of sharing sensitive information
- Imposition of unreasonable costs
- Multiple trips required resulting in delays in redress
- Refusal to share hotline number/ redress mechanism
- Agents/ merchants unaware of redress mechanism
- Inability of bank branch to resolve transaction failure at agent

Source: BCFI, 2017
Transaction failures

- ~ 60% Off-US transactions are failing \((Watal \ Committee, \ 2016)\), double of On-US transactions. Large banks declining transactions involving small banks \((Economic \ Survey, \ 2017)\)

- Banks declining transfers to non-banks \((SBI – Paytm; ICICI Bank – PhonePe)\)

- NPCI letter to AePS members on daily reconciliation of transactions and to UPI member banks on reconciliation and debit reversals \((March \ 2017)\)

- Absence of data in public domain \((NITI Aayog \ Booklet \ on \ Measurement \ of \ Digital \ Payments)\)
Complicated complaint filing process

Source: https://www.bhimupi.org.in/get-touch
Sub-optimal user interface

- Lack of user friendly design and difficulty in navigation (Raman & White, March 2017)

- Low focus on oral consumers (Microsave, My Oral Village, May 2017)

- Limited features – inadequate customisation, disclosure of grievance redress policy (Cashless Consumr, January 2017)

- NPCI letter to Member Banks, UPI on lack of uniformity on product design limiting widespread adoption (March 2017)

- Limited focus on security, privacy and fraud concerns (Dalberg, May 2017)
REASONS FOR INADEQUATE FOCUS ON GRIEVANCE REDRESS
Low on policy priority

- Consumer Protection Act – inadequate provisions, limited capacity, inadequate implementation

- Banking Ombudsman Scheme – recently extended to bank based electronic payments. No ombudsman for PPIs

- Dedicated helpline for digital payment grievance redress not yet introduced. Low accountability of service providers.

- Limitation of customer liability in unauthorised electronic banking transactions – not applicable to non banks. Customer liability in case of negligence and limited liability in case of third party breach

- No market enabled measures like insurance
Sub-optimal competition

- Limited interoperability of customer facing agents, leading to high operating costs for agents

- Lack of level playing field between banks and non-banks for accessing NPCI and RBI systems, leading to high operating costs for non-banks

- No threat of competition to NPCI, leading to inefficiency and limited accountability

- No threat of competition to operate RTGS, leading to inefficiency and limited accountability

Source: CUTS, December 2016 and CUTS, April 2017
Way ahead

- Undertake comprehensive review of applicable regulatory architecture
- Use tools like Competition Impact Assessment and Regulatory Impact Assessment
- Involve consumers and like minded stakeholders in awareness generation, building capacity and tracking progress
- Design market based incentives for grievance redress and consumer protection
- Enhance monitoring, supervision and enforcement
- Pro-competition approach needed while envisaging future of payments industry
About CUTS

• Pro-consumer, independent non profit, working across emerging economies

• Evidence based economic policy research, advocacy and networking

• Improving quality of regulation, competition, governance and trade to enhance consumer welfare

• Initiatives in digital finance: Payments banks, PPIs, payments infrastructure, grievance redress, interoperability, security and protection
Thank you

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