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Customer Trust and Grievance Redressal in Digital Banking: Evidence from Semi-Urban Rajasthan

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Abstract: ***Digital banking has widened access to formal finance, but semi-urban users continue to judge digital services through trust, safety and problem-resolution experience. This paper examines customer trust and grievance redressal in digital banking among 150 semi-urban consumers in Rajasthan. The study uses a structured questionnaire, descriptive statistics and mean-score analysis to assess fraud fear, safety feeling, complaint awareness, support availability and satisfaction. The findings show that network issues (42.67%) and fraud/OTP fear (40.67%) were the dominant problems. Fraud fear recorded a high mean score of 3.98, while bank or business-correspondent support was also strong at 3.93. Safety feeling and overall satisfaction remained moderate at 2.99. The study concludes that digital financial inclusion cannot be measured only by account access or UPI use; it also requires trusted transactions, quick complaint handling, local support and practical cyber-safety literacy.***

Keywords: Digital banking; Trust; Grievance redressal; Financial inclusion; Semi-urban Rajasthan

1. Introduction

Digital banking has become a major channel for financial inclusion in India. Mobile banking, UPI, debit cards, Aadhaar-enabled services and business correspondents have reduced distance and time barriers for consumers who earlier depended mainly on branches and cash. However, access alone does not establish meaningful inclusion. A consumer may own a smartphone, have a bank account and use UPI, yet still remain hesitant when transactions fail, when network quality is poor, or when there is fear of fraud.

Semi-urban Rajasthan provides a useful setting for studying this issue because consumers use both formal banking and informal support systems. In such areas, trust in the transaction and confidence in grievance redressal become important. If the user believes that a failed payment, wrong transfer or suspicious call will not be handled properly, digital adoption may remain shallow. Therefore, the quality of digital banking must be assessed through safety perception, complaint awareness, support from bank or business-correspondent channels and overall satisfaction.

This paper develops a separate publication angle from the same doctoral survey dataset by focusing on the quality dimension of digital banking. The objective is not to repeat adoption-frequency analysis, but to understand how trust, fraud fear and grievance support shape sustainable digital financial inclusion among semi-urban consumers.

2. Literature Survey

Financial inclusion literature explains that formal finance improves welfare when people can save safely, make payments, access credit, receive benefits and protect themselves from shocks [1]. Digital channels expand these possibilities, but the benefit depends on digital literacy, consumer protection and service reliability [2].

Technology-adoption theories such as TAM and UTAUT show that usefulness, ease of use, facilitating conditions and confidence influence adoption [3], [4]. In digital banking, facilitating conditions include not only device and internet access but also help from bank staff, family members, merchants and business correspondents.

Digital financial literacy is closely linked with trust. Users must understand OTP safety, PIN protection, QR-code risks, failed transaction procedures and complaint channels. Prior research on digital finance suggests that adoption can remain incomplete when consumers face fraud anxiety or lack the ability to resolve service problems [5], [6]. This paper therefore treats grievance redressal as a necessary bridge between access and active inclusion.

3. Problem Definition

The central problem is that digital banking access has expanded faster than consumer confidence and redressal capacity. Semi-urban users may have UPI, mobile phones and bank accounts, but regular and confident use depends on whether they feel safe, know where to complain and receive support when transactions fail. The study addresses the following research questions:

- What are the main problems faced by semi-urban consumers while using digital banking?
- How strong are fraud fear, safety feeling, bank/BC support and satisfaction among the respondents?
- What do these indicators imply for financial inclusion policy and digital banking practice?

4. Methodology / Approach

The study follows a descriptive and analytical survey approach. The empirical base consists of 150 complete responses collected from semi-urban consumers in Rajasthan between January and March 2026. The survey covered awareness, digital banking usage, primary service preference, main problem faced, complaint awareness, recommendation behaviour and five-point Likert-scale items related to trust, support, satisfaction and financial inclusion.

For this manuscript, the focus is limited to trust and grievance-redressal variables. Percentages are used for categorical indicators such as main problem faced and primary service. Mean scores are used for Likert-scale constructs. Since complaint awareness and recommendation responses were recorded as 'Yes' for all complete cases, these two variables are interpreted descriptively and are not used for inferential modelling.

5. Results & Discussion

Table 1 presents selected survey indicators relevant to customer trust and grievance redressal.

Indicator	Frequency	Percentage
Primary service: UPI	88	58.67%
Primary service: ATM/Debit card	62	41.33%
Main problem: Network issue	64	42.67%
Main problem: Fraud/OTP fear	61	40.67%
Main problem: No issue	24	16.00%
Main problem: Transaction failed	1	0.67%
Complaint awareness recorded as Yes	150	100.00%
Would recommend digital banking: Yes	150	100.00%

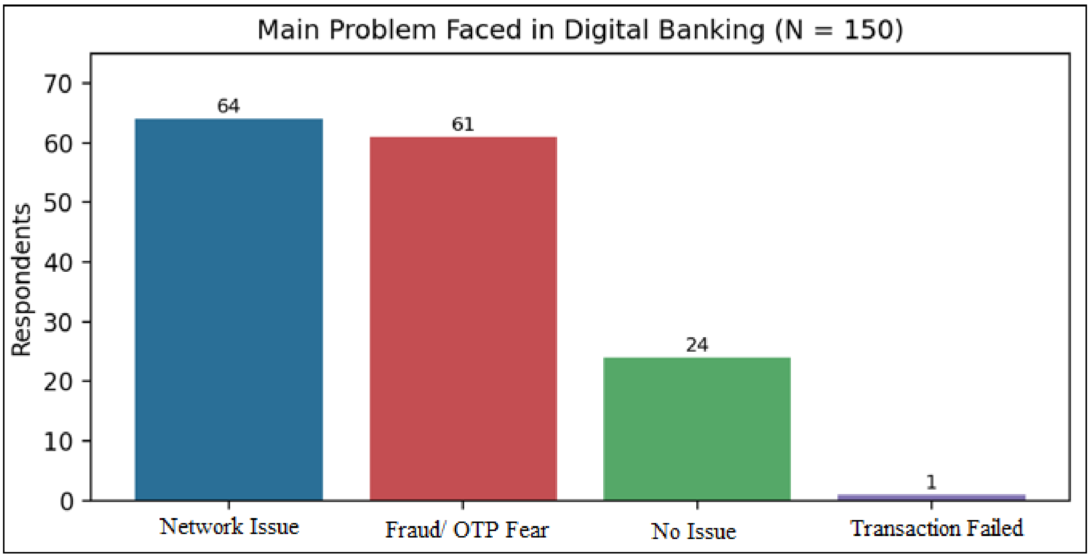

Figure 1: Main problems reported by respondents

The two dominant barriers were network issues and fraud/OTP fear. Together, these two categories account for 83.34% of responses. This indicates that the practical experience of digital banking is shaped by both infrastructure reliability and behavioural risk perception. Even when users are aware of complaint channels, their trust can remain moderate if they experience poor connectivity, failed payment anxiety or fear of cyber fraud.

Table 2 reports the mean scores of selected trust, support and barrier-related constructs.

Construct	Mean	Interpretation
Training need	4	High agreement / priority
Fraud fear reduces usage	3.98	High concern
Bank/BC support	3.93	High support perception
Overall inclusion index	3.41	Moderate inclusion
Family peer support	3	Neutral / moderate
Safety-security feeling	2.99	Moderate
Overall satisfaction	2.99	Moderate

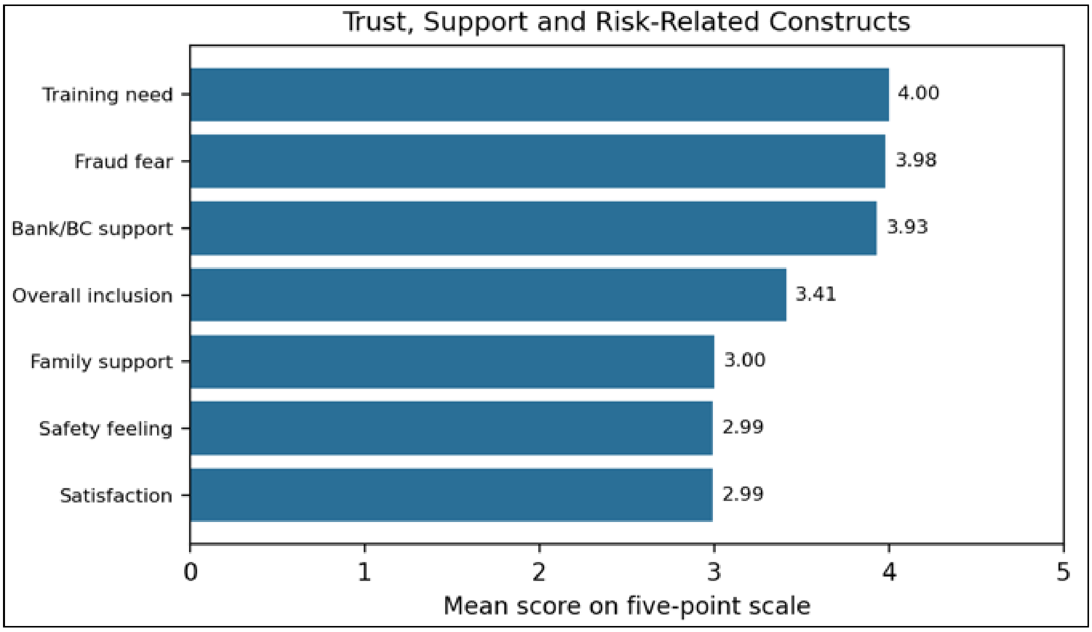

Figure 2: Mean scores of quality and barrier-related constructs.

The mean-score pattern reveals a dual condition. Respondents show strong need for training and strong concern about fraud, but bank or business-correspondent support is also rated positively. Safety-security feeling and overall satisfaction are moderate rather than high. This suggests that consumer protection and grievance redressal are not secondary issues; they are central to converting digital access into confident usage.

Observation	Research meaning	Managerial implication
Fraud fear mean = 3.98	Risk perception remains high	Run practical cyber-safety demonstrations
Bank/BC support mean = 3.93	Assisted banking still matters	Strengthen local support and transaction guidance
Safety feeling mean = 2.99	Trust is not fully settled	Improve failed-payment tracking and complaint communication
Network issue = 42.67%	Infrastructure affects confidence	Coordinate uptime, merchant QR reliability and SMS alerts
Complaint awareness = 100%	Awareness exists in the compiled data	Move from awareness to speed and quality of resolution

The results support the argument that digital financial inclusion has three layers: access, active use and quality. The first layer is visible in the spread of UPI and digital banking. The second layer is seen in transaction behaviour. The third layer depends on trust, support and grievance redressal. A semi-urban consumer who can use UPI but fears OTP fraud or does not trust the complaint process may continue to use digital banking only for limited purposes.

6. Conclusion

The study concludes that customer trust and grievance redressal are essential for sustainable digital banking adoption in semi-urban Rajasthan. Network problems and fraud/OTP fear emerged as the largest barriers, while the high training-need score shows that users require practical guidance beyond basic account access. Bank and business-correspondent support has a positive role, but moderate safety feeling and satisfaction indicate that institutions must improve failed-transaction communication, cyber-safety awareness and complaint resolution confidence. Digital financial inclusion should therefore be measured not only by service availability but also by whether consumers feel protected, supported and willing to use digital channels for regular financial activity.

7. Future Scope

Future research may use probability sampling across more districts of Rajasthan and compare urban, semi-urban and rural consumers. A larger study may also separate complaint awareness from actual complaint experience, resolution time and satisfaction with the final outcome.

Banks and policymakers may develop local-language digital safety modules, branch-level help desks, QR-code verification training and simple complaint-tracking messages. Such interventions can help convert digital access into trust-based financial inclusion.

Declarations

Funding: The study received no external funding.

Conflict of interest: The author declares no conflict of interest.

Ethics and consent: Participation was voluntary, responses were analysed in aggregate, and no OTP, UPI PIN, CVV, password or complete bank account number was collected.

Related manuscript disclosure: A companion paper from the same survey dataset examines determinants of digital transaction frequency. The present manuscript focuses separately on trust, support, fraud fear and grievance redressal.

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