

THE EFFECT OF UPI REFUND DELAYS ON CUSTOMER TRUST AND PAYMENT PREFERENCES

Ruchita V. T.*¹

1. Student specialising in Finance, Vishwakarma University, Pune, India

Abstract

The Unified Payments Interface has revolutionized the digital payment system in India, and today, is the most popular method of paying the retail payments in densely populated urban areas such as Pune where it is applied to make fast buys. However, there is a common roadblock, the delay of the refund of UPI, which could derail this confidence wave. Customers are forced to wait hours or days to receive their refund. Can they trust it? This question provides a description of the users and discusses the consequences of delays, such as the effect on cash, citing the examples of cash which may be spent on every-day needs, loss of trust in UPI apps and growing inclination to use cash or cards in place in a situation. The given report sheds light on a new angle in the current debate about fintech and will enable the banks-app developers-merchants to warn and limit timelines automatically to continue trusting UPI in still renewed confidence as the choice of Pune when making retail purchases. This can hence flatten the kinks that will safeguard the cashless journey of India against lapses into life-long loyalty.

Keywords

Unified Payments Interface (UPI), Online Payments, Lack Of Rapid Refunds, Customer Trust, Payment Behaviour

1. Introduction

The Unified Payments Interface (UPI) has emerged as a key part of the digital payment infrastructure of India, which has made a considerable change in the way a person and a business make financial transactions. This has been made possible by its fast adoption, especially in urban areas like Pune, because it has been found to have benefits like speed, convenience, interoperability, and security. Although it is extensively used in regular retail transactions, a constant issue that has impacted user experience is that refunds on failed or unsuccessful UPI transactions take long. These delays have the potential of becoming inconvenient and giving some form of uncertainty to the users who want to access their finances at a very short notice.

digital availability of smartphones, internet

connectivity, mobile applications, and banking technologies such as debit cards, credit cards, mobile banking, and internet banking has simplified financial transactions for consumers. Despite these developments, the adoption of digital payment systems varies across demographic groups due to differences in awareness, accessibility, and perceived risk. Continuous efforts by the government and financial institutions are therefore required to enhance awareness, usability, and trust in digital payment platforms.

This paper attempts to fill this gap by conducting an empirical analysis of retail shoppers in Pune. The proposed research based on the analysis of the frequency and the effects of refund delays should bring an insight that could allow banks, fintech

*Corresponding author: ruchitavt23@gmail.com

companies, and the regulatory bodies to enhance the speed and effectiveness of refund processing, increase the transparency levels, and make consumers more confident in the digital payment infrastructure.

2. Statement of the Problem

The rapid growth and extensive adoption of the Unified Payments Interface (UPI) in India has resulted in significant delays when processing refunds for transactions that have failed. Delays in processing refunds could cause customer dissatisfaction, lead to a lower level of confidence in the ability to use a digital payment system as intended, and may ultimately cause customers to switch back to using cash or credit/debit cards to make payments instead of continuing to use UPI as their primary method of making payments. Hence, it is essential to examine how the delay in refunds related to UPI's use will have an impact on the retail user regarding the level of trust they have in UPI and how, if at all, will they alter their payment behavior should UPI continue to have issues when processing refunds.

3. Objectives of the Study

1. To calculate the number and the time taken by UPI refund delays among retail shoppers in Pune.
2. To investigate the effectiveness of UPI refund delay on customer confidence.
3. To examine the effects of delay of refund on payment preference and behaviour.
4. To estimate the monetary inconvenience of UPI refund delay.

4. Research Methodology

The research design used in this study is descriptive quantitative research design in order to investigate the effect of UPI refund delays on customer trust, financial convenience, and payment behaviour among retail shoppers in Pune. The target population is identified as the UPI users in Pune who were selected using a purposive sampling method to make sure that the respondents had experience

with the UPI transaction and delay of refunds before. The study had 81 respondents. A structured online questionnaire was used to gather primary data, and included in Google Forms, multiple-choice, Likert scale, behavioural and demographic questions. The data gathered was processed with the help of descriptive statistics (frequencies, percentages, charts) and correlation analysis in order to find the patterns and correlations between refund delay, customer trust, and payment behaviour.

4.1 Tools Used for Data Collection

- Structured questionnaire
- Google Forms

4.2 Limitations of the Study

- The sample size is limited to 89 respondents and may not represent the entire population.
- The findings are confined to Coimbatore city and may not be generalizable to other regions.

4.3 Scope of Study

The study provides insights into consumer usage patterns and perceptions of digital payment methods. It also highlights gaps in the implementation of e-banking services and suggests measures for enhancing technology-driven banking practices. In a competitive and technology-oriented environment, understanding customer expectations and convenience requirements is essential for banks to improve service delivery and customer satisfaction.

5. Review of Literature

UPI in India is not just an intervention; it is a game-changer. It was very important as part of this project to find out what existing research said about its usage among people, particularly in a city like Pune.

6. Overview of Topic

Unified Payments Interface (UPI) is a mobile application-based digital payments system that enables immediately transferring funds between two bank accounts through a mobile device. The UPI

system is a very popular method of payment amongst consumers in India due to the fact that it is easy to use, very convenient and can be processed in seconds. However, customers continue to experience issues when making transactions, such as transaction failures or delayed refunds, causing them to lose trust in the system. In addition, UPI users experience reduced financial convenience and UPI payment methods become less preferred

relative to traditional cash or debit card payments. Therefore, the purpose of this research paper is to evaluate the impact of refund delays on customer trust, financial convenience, and the method of payment used. Furthermore, an assessment of UPI users' behaviour is also conducted to reveal the improvements that need to be made to the UPI digital payments system so that it will be a more efficient and reliable form of transacting in the future.

7. Data Analysis and Interpretation

In the case of 81 respondents, the analysis reveals that UPI is commonly used in making daily transactions as it is fast and convenient. They are usually used to shop, pay bills and so on. Nevertheless,

most users experience the issue with the delay of refund, which, ordinarily, can last 24 hours or more. Technical problems and processing time at the banks are the major cause of these delays.

Table 1: Frequency of UPI Refund Delays

<i>Response</i>	<i>Number of Respondents</i>	<i>Percentage</i>
Yes	54	66.7%
No	27	33.3%
Total	81	100%

The majority of the respondents (66.7%) have encountered delays in refunds indicating that the issue is very rampant with UPI users.

Table 2: Duration of Refund Delay

<i>Time Taken</i>	<i>Respondents</i>	<i>Percentage</i>
Within few hours	20	24.7%
24 hours	35	43.2%
More than 2 days	26	32.1%
Total	81	100%

Most users will get their money back within 24 hours or above and this is a clear indication that the process of re-fund is a slow one.

Table 3: Impact on Customer Trust

<i>Response</i>	<i>Respondents</i>	<i>Percentage</i>
Trust Reduced	53	65%
No Change	18	22%
Increased Trust	10	13%
Total	81	100%

Most respondents said their trust has reduced, which means refund delays negatively affect how people feel about UPI.

Table 4: Change in Payment Preference

<i>Preference Change</i>	<i>Respondents</i>	<i>Percentage</i>
Switched to Cash/Card	52	64%
Continued using UPI	29	36%
Total	81	100%

Many users started using cash or cards instead, showing that refund delays also change customer behaviour.

- H1₁: Accepted – There is a clear link between refund delays and customer trust.
- H1₂: Accepted – Refund delays have a negative effect on trust.

Overall, refund delays are a major issue in UPI systems. They reduce customer trust and also make people shift to other payment methods. Improving refund speed and service can help increase trust and keep users satisfied.

8. Findings

1. From question 1, we understand that the largest occupational group among respondents is SelfEmployed/Business, comprising 35.4% of the total. This highlights a significant presence of entrepreneurs and business owners. Following this, Employees make up 28.0%, indicating a substantial portion of the respondents work for others. Homemakers account for 23.2%, while Students are the smallest group at 13.4%.
2. From question 2, we understand that a significant majority of respondents use UPI frequently for retail shopping. 34.5% use it "Always" (almost every purchase), and 26.2% use it "Often" (once a week or more). Combined, over 60% of respondents use UPI at least once a week or more. In contrast, only 9.5% reported "Never" using UPI.
3. From question 3, we understand that UPI is most frequently utilized for Clothing/accessories/shopping malls, accounting for 33.3% of usage. Daily essentials (groceries, pharmacy) and Dining/restaurants both represent 25.0% of UPI usage, indicating its balanced application across these categories. Electronics/appliances account for 16.7%.
4. From question 4, we understand that BHIM is the most frequently used UPI app, accounting for 29.8% of respondents, closely followed by Paytm at 28.6%. PhonePe (17.9%) and Google Pay (16.7%) also hold significant, though smaller, shares. A very small percentage use other apps like Slice pay, Navi, Pop Upi, or Bob pay, and only 1.2% reported no UPI apps
5. From question 5, we understand that 31.0% of respondents experienced refund delays "Within 24 hours," and a critical 19.0% faced delays "More than 24 hours." Combining these, approximately half of the respondents who experienced delays waited for more than 30 minutes. Conversely, 19.0% reported never having experienced a delayed refund.
6. From question 6, we understand that Network/connectivity problems are the most cited cause for UPI refund delays at 28.6%. Technical glitches in payment apps and Slow bank processing are equally significant at 25.0% each, perceived as the next most common reasons. Merchant's system issues account for 20.2%, with a small fraction unsure.
7. From question 7, we understand that experiencing a delayed refund significantly impacts user trust. A combined 60.7% of respondents reported some level of trust erosion (Slightly less, Significantly less, or Lost trust completely). Notably, 22.6% started using UPI less, and 17.9% completely lost trust and stopped using it. Despite this, 27.4% maintained full trust after a delay.
8. From question 8, we understand that confidence in prompt UPI refunds is divided. Approximately 40.5% of respondents express

low confidence (Not at all confident + Slightly confident), while 36.9% express high confidence (Very confident + Completely confident). A significant 22.6% are "Moderately confident."

10. Conclusion

The study concludes that the Unified Payments Interface has become a widely adopted and preferred digital payment method among retail shoppers in Pune due to its convenience, speed, and accessibility. Applications such as BHIM, Paytm, Google Pay, and PhonePe have played a significant role in strengthening the digital payment ecosystem. However, the research highlights that delays in refund processing remain a critical issue that negatively affects customer trust, creates financial inconvenience, and influences consumer payment behaviour. Many users reported refund delays caused by network disruptions, technical glitches, and slow bank settlement processes, which sometimes lead them to shift toward alternative payment methods such as cash or cards. Therefore, while UPI continues to dominate retail payment preferences, improving the efficiency, reliability, and transparency of refund mechanisms is essential to maintain consumer confidence and support the sustained growth of digital payments.

References

- [1] Jain, Anshul, et al. (2024). Investigating the behavior of consumers using digital payment: Comparative study between rural and urban areas. *Intelligent Decision Technologies*, 18(3), 2353–2370. <https://doi.org/10.3233/IDT-240659>
- [2] Reena S., et al. (2023). A study on consumer preference towards payment methods for online shopping in Pune. *Journal of Business and Retail Management Research*, 18(1), 45–58. *Journal of Business and Retail Management Research*
- [3] Khare, Anita, et al. (2022). A study on consumer's preference towards digital payments in Pune city. *International Journal of Research in Social Sciences*, 12(3), 215–230. *International Journal of Research in Social Sciences*
- [4] Kumar, Payal. (2023). *Impact of digital refund delays on consumer trust within Indian fintech ecosystem* [SSRN preprint].
- [5] Srinivasan, Ravi, & Dugar, Deepa. (2025). *Digital payment failures and refund delays: A comparative study of UPI and card payments in Indian retail* [Preprint].
- [6] Mishra, Pankaj. (2024). *Legal rights and compensation for digital refund delays in India: A focus on UPI*. *Online Legal Query* (Peer-reviewed legal blog series). *Online Legal Query*
- [7] PwC India. (2024). *Indian payment handbook 2024*. Retrieved from PwC India
- [8] National Payments Corporation of India. (2023). *UPI monthly performance report*. Retrieved from NPCI
- [9] Reserve Bank of India. (2022). *Report on digital payments: Trends and progress*. Retrieved from Reserve Bank of India
- [10] KPMG India. (2023). *Digital payments in India: A strategic outlook*. Retrieved from KPMG India