

# A Study on the Impact of UPI on Spending Behaviour and Financial Habits among Youth in India

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## ABSTRACT

The widespread adoption of the Unified Payments Interface (UPI) has transformed digital transactions in India, particularly among the youth. This study investigates the impact of UPI on spending behaviour and financial habits of young individuals. The objectives of the study are to analyze the effect of UPI on spending frequency, impulsive buying behaviour, and savings patterns.

The study follows a quantitative approach, with primary data collected through structured questionnaires from youth respondents. Statistical analysis is used to identify patterns and relationships between UPI usage and financial behaviour.

The findings reveal that UPI significantly enhances transaction convenience and frequency, which in turn increases impulsive spending and reduces financial control among users. While UPI supports financial inclusion and promotes a cashless economy, it also poses challenges to budgeting discipline and savings behaviour.

The study concludes that UPI plays a dual role as both a facilitator of efficient financial transactions and a driver of behavioural change, emphasizing the importance of financial awareness and responsible usage among youth.

**Keywords:** Unified Payments Interface (UPI), Digital Payment Behaviour, Youth Financial Habits, Spending Behaviour, Impulsive Buying, Financial Discipline, Cashless Economy, Financial Literacy

## 1. INTRODUCTION

### 1.1 Background of the Study

In recent years, India has witnessed a rapid transformation in its financial ecosystem, driven by the growth of digital payment technologies. Among these, the Unified Payments Interface (UPI) has emerged as a revolutionary platform that enables instant, secure, and seamless

transactions. Launched by the National Payments Corporation of India (NPCI), UPI has gained widespread acceptance due to its convenience, interoperability, and user-friendly interface.

The increasing penetration of smartphones, affordable internet services, and government initiatives promoting a cashless economy have further accelerated the adoption of UPI. Youth, being technologically adept and highly adaptable, represent one of the largest user groups of digital payment systems. As a result, their financial behaviour is increasingly shaped by the features and accessibility of platforms like UPI.

With just a few clicks, users can make payments, transfer funds, and manage financial transactions without the need for physical cash. While this convenience has improved transaction efficiency and financial inclusion, it has also raised concerns about changing spending patterns, reduced financial awareness, and potential over-dependence on digital payments among young users.

## 1.2 Statement of the Problem

The growing reliance on UPI among youth has significantly altered traditional spending habits and financial management practices. The ease and speed of digital transactions may reduce the psychological barrier associated with spending money, potentially leading to impulsive buying behaviour and increased expenditure.

Despite the rapid adoption of UPI, there is limited empirical research that specifically examines its impact on the financial habits of youth in India. Questions remain regarding whether UPI promotes financial discipline through better tracking of transactions or contributes to overspending due to its convenience and instant payment features.

Therefore, this study seeks to address the gap by analyzing how UPI influences spending behaviour, budgeting practices, and savings patterns among young individuals in India.

## 1.3 Objectives of the Study

The study is designed to achieve the following objectives:

1. To examine the impact of UPI on the spending behaviour of youth in India.
2. To analyze the relationship between UPI usage and impulsive buying behaviour.
3. To evaluate the effect of UPI on financial habits such as budgeting and savings.

4. To identify key factors (e.g., convenience, cashback, ease of use) influencing UPI adoption and usage.
5. To assess whether UPI promotes financial discipline or leads to increased expenditure among youth.

#### **1.4 Significance of the Study**

This study holds considerable importance in the context of India's transition towards a digital economy. It provides valuable insights into how digital payment platforms like UPI influence the financial behaviour of youth, who represent a significant segment of the population and future economic contributors.

The findings of this research will be beneficial for multiple stakeholders. Policymakers can use the insights to design strategies that promote responsible digital financial practices. Financial institutions and fintech companies can better understand user behaviour and develop features that encourage financial discipline. Additionally, educators and researchers can use the study to enhance financial literacy programs among youth.

Furthermore, the study contributes to the existing body of knowledge on digital payments and consumer behaviour by offering empirical evidence from the Indian context. It also highlights the need to balance technological convenience with financial awareness to ensure sustainable financial habits among young users.

## **2. LITERATURE REVIEW**

The rapid expansion of digital payment systems, particularly the Unified Payments Interface (UPI), has significantly influenced consumer financial behaviour in India. Recent studies have explored various aspects of digital payment adoption, spending behaviour, and financial habits, especially among youth.

### **2.1 Adoption of UPI and Digital Payments**

Recent studies highlight the increasing adoption of UPI due to technological advancements and policy support. Sharma et al. (2019) found that perceived ease of use, trust, and government initiatives play a significant role in digital payment adoption. Similarly, Gupta and Arora (2020) emphasized that convenience and speed are the primary factors influencing UPI usage

among young consumers. Further, Patil et al. (2022) observed that youth are the most active adopters of UPI due to their familiarity with smartphones and digital platforms.

## 2.2 Impact on Spending Behaviour

Studies conducted in the last decade indicate that digital payments have altered spending patterns. Singh and Rana (2017) found that users of digital payments tend to have higher transaction frequency compared to cash users. Kumar et al. (2021) reported that UPI usage leads to increased spending due to its seamless and quick transaction process. Additionally, Mehta (2023) highlighted that reduced transaction effort encourages more frequent and smaller-value expenditures.

## 2.3 Impulsive Buying Behaviour

Recent research shows a strong link between digital payment systems and impulsive buying. Kaur et al. (2020) found that cashback offers and promotional incentives significantly influence impulsive purchases among youth. Verma and Sinha (2022) concluded that the instant nature of UPI transactions reduces the time available for decision-making, thereby increasing impulsive spending tendencies. Shukla (2024) further emphasized that digital convenience weakens spending control among young users.

## 2.4 Financial Habits: Savings and Budgeting

The impact of UPI on financial habits remains mixed in recent studies. Arora (2018) suggested that digital transaction records can help improve budgeting and financial tracking. However, Yadav and Sharma (2021) found that excessive use of digital payments may reduce savings due to increased spending behaviour. More recently, Joshi (2023) reported that while UPI enhances financial inclusion, it may negatively affect long-term financial discipline among youth.

## 3. RESEARCH METHODOLOGY

The present study adopts a quantitative and descriptive research design to examine the impact of Unified Payments Interface (UPI) on the spending behaviour and financial habits of youth in India. A cross-sectional approach is used, with data collected from respondents aged 18–30 years who actively use UPI. The study employs a convenience sampling technique with a sample size of approximately 100 participants. Primary data is collected through a structured questionnaire consisting of close-ended and Likert scale questions to measure variables such

as UPI usage frequency, spending behaviour, impulsive buying tendencies, and savings habits. Secondary data from relevant journals and reports is also used to support the study. The collected data is analyzed using statistical tools such as percentage analysis, mean, correlation, and regression to identify patterns and relationships between UPI usage and financial behaviour. The methodology is designed to provide clear and reliable insights into the influence of digital payment systems on youth financial decision-making.

#### 4. RESULTS AND DISCUSSION

The data collected from 100 respondents has been analyzed to understand the impact of UPI on spending behaviour and financial habits among youth in India. The results are presented below with proper interpretation.

**Table 1. UPI Usage Frequency**

Usage Frequency	No. of Respondents	Percentage (%)
Daily	78	78%
Weekly	15	15%
Occasionally	7	7%
<b>Total</b>	100	100%

##### **Interpretation:**

The table shows that the majority of respondents (78%) use UPI on a daily basis. This indicates that UPI has become an essential part of daily financial transactions among youth. Only a small percentage use it occasionally, which shows a strong dependence on digital payment systems.

**Table 2. Impact on Spending Behaviour**

Response	No. of Respondents	Percentage (%)
Strongly Agree	30	30%
Agree	38	38%
Neutral	12	12%
Disagree	10	10%
Strongly Disagree	10	10%
<b>Total</b>	100	100%

**Interpretation:**

Around 68% of respondents (Strongly Agree + Agree) believe that their spending has increased due to UPI usage. This shows that digital payments make spending easier and more frequent. Only 20% disagreed, indicating that most users feel an increase in their spending habits.

**Table 3. Impulsive Buying Behaviour**

Response	No. of Respondents	Percentage (%)
Yes	60	60%
No	25	25%
Not Sure	15	15%
<b>Total</b>	100	100%

**Interpretation:**

The table shows that 60% of respondents agree that they make impulsive purchases while using UPI. This suggests that the ease and speed of transactions reduce thinking time, leading to unplanned buying decisions.

**Table 4. Impact on Savings**

Response	No. of Respondents	Percentage (%)
Decreased	55	55%
Increased	20	20%
No Change	25	25%
<b>Total</b>	100	100%

**Interpretation:**

More than half of the respondents (55%) reported a decrease in their savings due to frequent UPI usage. This indicates that increased spending may negatively affect financial discipline. However, 25% reported no change, and 20% observed improved savings, showing mixed behaviour among users.

## Overall Discussion

The overall results clearly indicate that UPI has a strong influence on the financial behaviour of youth. While it provides convenience, speed, and ease of transactions, it also increases spending frequency and encourages impulsive buying. The findings suggest that UPI plays a dual role — it promotes digital financial inclusion but may reduce savings and budgeting discipline if not used carefully.

## 5. CONCLUSION

The present study examined the impact of Unified Payments Interface (UPI) on the spending behaviour and financial habits of youth in India. The findings of the study clearly indicate that UPI has become a widely used digital payment system among young individuals, mainly due to its convenience, speed, and ease of use. A majority of respondents reported using UPI on a daily basis, which shows its strong presence in everyday financial transactions.

The study found that UPI has a significant influence on spending behaviour. Most respondents agreed that their spending has increased due to the ease of making payments. The availability of instant transactions and minimal effort required for payments encourages frequent and small-value expenditures. Additionally, a considerable number of respondents reported engaging in impulsive buying behaviour, suggesting that digital payments reduce the level of control over spending decisions.

In terms of financial habits, the results indicate that UPI usage has a mixed impact. While some users benefit from digital records that help in tracking expenses, a larger proportion of respondents reported a decline in their savings. This suggests that the convenience of UPI may weaken budgeting discipline if not used carefully.

The study has important implications for various stakeholders. For policymakers and financial institutions, the findings highlight the need to promote financial literacy and awareness among youth to ensure responsible usage of digital payment systems. Fintech companies can also focus on developing features that help users track spending and manage their finances more effectively. For individuals, the study emphasizes the importance of maintaining financial discipline while using convenient digital tools like UPI.

However, the study has certain limitations, such as a limited sample size and the use of convenience sampling, which may affect the generalizability of the results. Therefore, future

research can be conducted with a larger and more diverse sample to obtain more accurate and generalized findings. Further studies can also explore additional factors such as income level, psychological behaviour, and long-term financial impact of digital payments. Comparative studies between different age groups or between digital and cash users can also provide deeper insights.

In conclusion, UPI plays a dual role in the financial lives of youth—it acts as a powerful tool for convenience and financial inclusion, while also contributing to increased spending and reduced savings if not used responsibly. Therefore, a balanced and aware use of digital payment systems is essential for maintaining healthy financial habits.

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