

Impact of Digital Payments on Consumer Spending Behaviour

Deepika Pokharana,

Department of Banking and Business Economics, University College of Commerce & Management Studies,
Mohanlal Sukhadia University (MLSU), Udaipur, Rajasthan

ABSTRACT

The study examined the effect of digital payment on consumer spending behavior. Digital payment methods such as UPI, mobile banking, debit card, credit card and wallets have made retail transactions faster and convenient. The study uses an illustrative primary survey of 150 consumers to analyze the frequency of payment, convenience, spending awareness and perceived changes in purchasing behavior. The percentage, correlation and regression analyzes are applied to show the relationship between the usage of digital-payment and spending behavior. The illustrative results indicate a positive relationship between the frequency of digital-payment use and consumer spending behavior. Respondents say convenience and speed encourage digital transactions, while transaction histories and spending alerts can aid financial awareness. The study finds that digital payments can alter consumption patterns, but responsible use and financial literacy are important to prevent impulsive spending.

Key Words: Digital Payments, UPI, Consumer Spending, Financial Behaviour, Financial Inclusion, Mobile Payments

INTRODUCTION

Digital payment systems are an important part of today's commerce. Consumers can transfer money and pay merchants with their smartphones, bank applications, cards and electronic wallets. In India, the rapid growth of UPI has especially transformed how consumers undertake low-value and routine transactions.

Digital payments reduce the time and physical effort required to complete a transaction. Consumers don't have to carry cash or wait for change. Merchants can accept payments via mobile device or QR code. This convenience can influence the frequency and timing of purchases.

The behavior change that digital payments bring about is not always for the worse. The records generated by electronic transactions can be used to monitor spending, develop budgets, and identify recurring expenses. The effect therefore depends on how consumers use the information created by digital financial services.

The present study examines the relationship between digital-payment usage and consumer spending behavior with the help of an illustrative primary survey of 150 respondents. The analysis is made on the structure of the given research-paper model.

REVIEW OF LITERATURE

1. Shah, Khan, Hassan et al. (2026) The study found that digital payment methods may have an influence on consumers' spending behavior through payment biases and mental accounting. The researchers analyzed current and future methods of payment based on responses from 1208 respondents in Pakistan. The results also indicated the moderating effect of digital financial literacy on the link between payment methods and spending behavior.

2. Rasool & Wani (2026) The study investigates the perceptions of safety, trust and expenditure of Indian consumers toward UPI and card payment. Results from 322 usable responses indicate that the payment method and purchase involvement influence consumer behavior. The research emphasizes the importance of consumers' perception of security and trust in utilizing digital payment methods.

3. Sarangi, Jena & Singh (2026) The study revealed positive relationships between materialism, impulsive buying and compulsive buying for Indian consumers. Structural equation modeling and 251 adult consumers showed that Pay Later facilities enhance the relationships between impulsive and compulsive buying and materialism and compulsive buying, which can lead to excessive consumption.

4. Doan, Rahman & Vo (2025) The present research examined the influence of cashless payments on impulsive buying and overconsumption. The results suggest that the lower psychological “pain of paying” associated with cashless transactions may encourage impulsive buying. However, mindfulness may reduce the effect, implying that increased consumer awareness and self-control can alleviate excessive consumption associated with the use of digital payments.

5. Al Ghunaimi, Almaqtari & Wesonga (2025) The study found that security, convenience, and ease of use are important factors that support the adoption of mobile payments by the SMEs in Oman. FinTech development is facilitating our move toward a cashless economy. But transaction costs and technological challenges remain barriers, suggesting that reliable infrastructure and affordable services are important for wider digital-payment adoption.

IMPORTANCE OF THE STUDY

The research is significant as use of digital payments is growing for everyday purchases. Consumers, merchants, banks, payment providers and policy makers are interested in comprehending their effect on spending behavior. The study also points to the importance of financial literacy and spending monitoring.

STATEMENT OF THE PROBLEM

Digital payments make it quicker and easier to purchase things but that ease of completing a transaction may also encourage frequent discretionary spending. The value of small digital transactions may not always be clear to consumers when added together. The study therefore investigates the link between greater use of digital payments and shifts in consumer spending behavior.

OBJECTIVES OF THE STUDY

1. To study consumer adoption of digital payment methods.
2. To examine the relationship between digital payments and spending behaviour.
3. To identify the major behavioural effects of payment convenience.
4. To suggest measures for responsible digital-payment use.

HYPOTHESES

H_0 (Null Hypothesis): There is no significant relationship between digital-payment usage and consumer spending behaviour.

H_1 (Alternative Hypothesis): There is a significant relationship between digital-payment usage and consumer spending behaviour.

RESEARCH METHODOLOGY

The study is carried out through a descriptive analytical research approach. The requested primary-data format is illustrated by an illustrative sample of 150 consumers. The structured questionnaire includes demographic questions and five-point statements regarding frequency of digital-payment use, convenience, impulse spending, spending awareness and budgeting. Descriptive interpretation is done by percentage analysis and the relationship between digital-payment usage and consumer spending behavior is examined by Pearson correlation and simple regression. The numerical data shown here are only for illustration purposes and should be replaced with actual questionnaire data before submission as real primary research.

Table 1: Gender-wise Distribution of Respondents

Gender	Frequency	Percentage
Male	82	54.7
Female	68	45.3

Total	150	100.0
-------	-----	-------

Table 2: Age-wise Distribution of Respondents

Age group	Frequency	Percentage
Below 25 years	45	30.0
25–35 years	54	36.0
36–45 years	32	21.3
Above 45 years	19	12.7
Total	150	100.0

Table 3: Respondents' Views on Digital Payments and Spending

Digital-payment behaviour	Agree/Strongly Agree	Percentage
Digital payments are more convenient than cash	132	88.0
Digital payments increase purchase frequency	101	67.3
Digital payments make small purchases easier	124	82.7
Digital records help monitor spending	115	76.7
I sometimes make unplanned purchases using digital payments	93	62.0

RESULTS AND DISCUSSION

Table 3 shows a high level of perceived convenience. As much as 88.0% of respondents agree or strongly agree that digital payments are more convenient than cash. This supports the view that ease of use is an important driver of adoption.

67.3% of respondents state that digital payments increase the frequency of purchases. This does not mean that every digital transaction is an incremental purchase, but rather that respondents feel that digital payment makes transactions easier and possibly more frequent.

82.7% Agreed with the statement about small purchases. This implies that digital payments are part of the low-value consumption. This convenience can be good for consumers, but it can also make cumulative discretionary spending less visible.

At the same time, 76.7% of respondents agree that digital transaction records help them manage their spending. This shows how digitalization has a two-fold effect: it can lower the psychological and practical friction of purchase, but also produce information that can underpin financial control.

Here's how the use of digital payments correlates with consumer spending behavior. The coefficient and regression values are for illustrative purposes and are included to show the primary-data analysis format requested by the researcher.

Table 4: Correlation between Digital-Payment Usage and Consumer Spending Behaviour

Sample Size (N)	Calculated Value (r)	p-value	Decision
150	0.62	0.000	Reject H_0

The illustrative correlation coefficient of 0.62 shows the positive association between the usage of digital payments and consumer spending habits. The p-value in the example is less than 0.05, so the null hypothesis is rejected. The outcome suggests that increased use of digital payments is associated with differences in spending behavior within the model dataset.

Table 5: Regression Analysis

Sample Size (N)	R ² Value	F-Value	p-value	Decision
150	0.38	90.65	0.000	Reject H ₀

In the example regression, 0.38 is the R², which implies that 38 percent of the variation in the consumer-spending measure is associated with digital-payment usage in the model dataset. The rest of the variation might be explained by other factors such as income, age, financial literacy, household responsibilities, promotional offers and personal preferences.

FINDINGS

- Digital payments are widely perceived as more convenient than cash.
- A substantial proportion of respondents report that digital payments make small purchases easier.
- Many respondents perceive a connection between digital payments and higher purchase frequency.
- Digital transaction records can support spending monitoring.
- A considerable share of respondents report making unplanned purchases through digital channels.
- The illustrative correlation indicates a positive relationship between digital-payment usage and consumer spending behaviour.

RECOMMENDATIONS

- Consumers should review digital transaction histories regularly.
- Monthly budgets should include both cash and digital expenditure.
- Spending alerts can be used to improve awareness of cumulative purchases.
- Consumers should distinguish essential purchases from discretionary spending.
- Financial-literacy programmes should explain both the convenience and behavioural risks of digital payments.
- Payment providers should continue improving fraud awareness and transaction security.

CONCLUSION

Digital payments have transformed how consumers make everyday transactions, offering faster, more convenient and more accessible payment options. The illustrative primary-data analysis indicates a positive correlation between the use of digital payments and consumer spending behavior. The results show how the percentage analysis, correlation and regression can be used to study this relationship. The numerical results shown are illustrative only and should not be interpreted as actual field results without real questionnaire data. Digital payments can enhance financial inclusion and efficiency in transactions, but their responsible use requires budgeting, awareness of spending, and financial literacy.

REFERENCES

1. Shah, M. U., Khan, I. U., Hassan, M. U., et al. (2026). *Digital payments and overspending: A study of payment biases and spending behaviour using mental accounting perspective*. **International Journal of Finance & Economics**. <https://doi.org/10.1002/ijfe.70053>
2. Rasool, S. G., & Wani, T. A. (2026). *Impact of digital payment methods on consumer trust and spending behaviour: Evidence from India*. **International Journal of Electronic Business**. <https://doi.org/10.1504/IJEB.2026.151460>
3. Sarangi, S., Jena, A. K., & Singh, R. K. R. (2026). *Materialism and compulsive buying behavior: The role of impulsive buying and Pay U Later*. **Journal of Financial Services Marketing**. <https://doi.org/10.1057/s41264-026-00381-8>
4. Doan, L. T. M., Rahman, M., & Vo, X. V. (2025). *Mitigating overconsumption through mindfulness: The role of cashless payments in impulsive buying and sustainable consumer behaviour*. **Journal of Chinese Economic and Business Studies**. <https://doi.org/10.1080/14765284.2024.2415728>
5. Al Ghunaimi, H., Almaqtari, F. A., & Wesonga, R. (2025). *The rise of FinTech and the journey toward a cashless society: Investigating the use of mobile payments by SMEs in Oman in the context of Vision 2040*. **Administrative Sciences**, 15(5), 178. <https://www.mdpi.com/2076-3387/15/5/178>
6. Bian, W., Cong, L. W., & Ji, Y. (2023). *The rise of e-wallets and buy-now-pay-later: Payment competition, credit expansion, and consumer behavior*. **NBER Working Paper No. 31202**. <https://www.nber.org/papers/w31202>
7. Lohana, S., & Roy, D. (2023). *Impact of demographic factors on consumer's usage of digital payments*. **FIIB Business Review**. <https://doi.org/10.1177/23197145211049586>
8. Chauhan, Y., & Sharma, P. (2024). *A systematic literature review of digital payments*. **Metamorphosis**. <https://doi.org/10.1177/09726225241257730>
9. Singh, S., & Shanmugam, S. (2024). *Exploring the forces shaping consumer spending behavior in the FinTech age*. **Research study on FinTech and consumer spending behaviour**. https://www.researchgate.net/profile/Subramanian-Shanmugam-2/publication/378010858_EXPLORING_THE_FORCES_SHAPING_CONSUMER_SPENDING_BEHAVIOR_IN_THE_FINTECH_AGE/links/65c30ddc1e1ec12eff78efb9/EXPLORING-THE-FORCES-SHAPING-CONSUMER-SPENDING-BEHAVIOR-IN-THE-FINTECH-AGE.pdf
10. Khan, B. (2017). *A compendious study of online payment systems: Past developments, present impact, and future considerations*. **International Journal of Advanced Computer Science and Applications**. https://academia.edu/download/122122999/Paper_32-A_Compendious_Study_of_Online_Payment_Systems.pdf