

The Impact of Cash V/S Digital Payment Mode on Consumers Spending Behaviour: A Study Conducted in Mysuru

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Abstrat

The increasing use of digital payment systems has changed the way consumers make financial transactions in their daily lives. Payment methods such as Unified Payments Interface (UPI), mobile wallets, debit cards, credit cards, and internet banking have become popular because they offer a quick and convenient way to complete purchases. Despite these advantages, cash continues to be preferred by many consumers who believe it helps them control their spending and manage their personal budget more effectively. This study examines the influence of cash and digital payment modes on consumer spending behaviour in Mysuru. Primary data were collected from 50 respondents using a structured questionnaire distributed through Google Forms. The collected data were analysed using percentage analysis, descriptive statistics, Cronbach's Alpha, and the Chi-square test. The reliability analysis produced a Cronbach's Alpha value of **0.795**, confirming that the research instrument was reliable. The Chi-square test revealed a significant relationship between payment mode and consumer spending behaviour, leading to the acceptance of the alternative hypothesis. The results show that most respondents prefer digital payment methods because they are convenient, secure, and provide benefits such as cashback and discounts. The study concludes that responsible financial planning is essential for consumers to enjoy the benefits of digital payments while maintaining control over their spending.

Keywords: Digital Payments, Consumer Spending, Cash Transactions, Financial Behaviour.

INTRODUCTION

The way people make payments has changed considerably over the last few years. Earlier, cash was the most common method used for buying goods and paying for services. Today, many people prefer digital payment options because smartphones, internet connectivity, and banking technology have made transactions much easier. Payment methods such as UPI, debit cards, credit cards, internet banking, and mobile wallets are now used regularly for shopping, paying utility bills, booking tickets, ordering food, and many other daily activities.

The Government of India has also encouraged the use of digital payments through various initiatives, including the Digital India programme. The use of online payment methods increased rapidly after demonetisation and during the COVID-19 pandemic, when contactless transactions became a safer and more convenient option. As a result, digital payments have become a normal part of everyday life for many consumers.

Although digital payments save time and make transactions simple, they may also influence the way people spend money. When payments are made digitally, consumers do not physically hand over cash, making it easier to complete purchases without thinking much about the amount being spent. This convenience may encourage frequent purchases or unplanned spending. In contrast, cash payments allow individuals to see the money leaving their hands, which often helps them control their expenses and stay within their budget.

Even with the growing popularity of digital payments, cash continues to play an important role. Some consumers still

prefer cash because they feel it provides better control over their spending. Others may avoid digital payments due to concerns about online fraud, technical issues, lack of internet access, or limited knowledge of digital applications. These differences show that payment preferences vary from one consumer to another.

This research focuses on understanding how cash and digital payment methods influence consumer spending behaviour in Mysuru. It also examines consumers' payment preferences and identifies the factors that affect their choice of payment method. The results of the study may help consumers, businesses, financial institutions, and policymakers better understand spending patterns associated with different payment methods.

REVIEW OF LITERATURE

Sudiksha Shree et al. (2021) examined digital payments and consumer experience in India and found that convenience, trust, and security are the main factors encouraging consumers to adopt digital payment systems. The study further reported that digital transactions improve customer satisfaction and also increase the frequency of purchases. **Sumit Agarwal et al. (2022)** analysed the impact of digital payments during the post-demonetisation period and observed that consumers who use digital payment methods generally spend more than those who continue to rely mainly on cash transactions. **Yash Chauhan and Pramod Sharma (2024)** reported that digital payment systems provide greater convenience, faster transactions, and easy accessibility. According to their study, these factors positively influence consumers' purchasing decisions and encourage the regular use of digital payment platforms. **Vishu Jain and Neelam Jain (2024)** found that technological awareness, ease of use, and attractive cashback offers play an important role in motivating consumers to adopt digital payment methods. Their study also highlighted that promotional benefits increase the acceptance of digital transactions. **Meenakshi M. Huggi et al. (2024)** observed that consumers who regularly use digital payment methods are more interested in online shopping and often make purchases because digital transactions are simple and convenient. **Abdullah Raheel Khan (2023)** reported that UPI and mobile wallet services are among the most preferred payment methods because they offer a simple, quick, and user-friendly transaction process. **Harshal Dev et al. (2024)** stated that UPI-based payment systems may encourage impulsive buying behaviour, which can influence the overall spending pattern of consumers. **Yizhao Jiang (2022)** found that consumers are more likely to spend a higher amount while making payments through mobile payment applications than through traditional cash transactions. **Andrea Rosa Alen (2025)** explained that digital payment systems have influenced household expenditure, savings behaviour, and purchasing decisions, reflecting noticeable changes in personal financial management. **Anamta Fatima (2025)** highlighted that convenience, discounts, promotional offers, and cashback rewards are the major reasons why consumers prefer digital payment methods over cash.

Statement of the problem

The growing use of digital payment systems has changed the way consumers carry out financial transactions. Payment methods such as UPI, mobile wallets, debit cards, and credit cards enable users to make payments quickly and conveniently. While these methods offer several advantages, they may also influence consumers' spending habits, as digital transactions reduce the need to handle physical cash. This can sometimes result in unplanned purchases and make it difficult for individuals to control their expenses.

However, digital payments are not preferred by everyone. Many consumers, especially older adults and people with limited digital knowledge, still choose cash because of concerns about online fraud, cybersecurity risks, technical problems, and lack of familiarity with digital payment platforms. These differences in payment preferences may lead to variations in spending behaviour and personal financial management.

Considering the increasing use of both cash and digital payment methods, it is important to understand how each payment mode affects consumer spending behaviour. Therefore, this study focuses on examining the influence of cash and digital payment methods on the spending behaviour of consumers in Mysuru.

Need for the Study

The increasing use of digital payment systems has significantly changed consumer purchasing behaviour. As India moves towards a digitally driven economy, it becomes important to examine how these payment methods affect spending decisions, budgeting practices, and financial management. Understanding the impact of digital payments can help consumers become more aware of their spending habits and make informed financial decisions.

The findings of this study will also be useful for businesses in understanding consumer preferences and purchasing behaviour associated with different payment modes. Furthermore, policymakers, financial institutions, and payment service providers can use the results to develop secure digital platforms, improve financial literacy, and promote responsible use of digital payment systems.

Objective

- To study how digital payment modes influence impulsive and compulsive consumer spending behaviour.
- To identify the demographic profile of consumers and their preferred mode of payment (Cash and Digital).
- To understand consumers' perceptions and the frequency of using cash and digital payment methods.

Hypothesis

NULL Hypothesis (H_0)

There is no difference in the spending behaviour of consumers in Mysuru based on the payment method they use (cash or digital).

Alternative Hypothesis (H_1)

Consumers in Mysuru exhibit significantly higher spending volumes when using digital payment modes compared to cash

Research Methodology

Research Approach

The present research follows both **quantitative** and **qualitative** approaches. Quantitative data were collected using a structured questionnaire circulated through Google Forms, and the responses were analysed using appropriate statistical tools. The qualitative approach helped in understanding consumers' opinions, experiences, and preferences towards cash and digital payment methods. Using both approaches provides a better understanding of consumer spending behaviour in Mysuru.

Research Design

The research is based on a **descriptive research design**. This design helps in describing and understanding the existing spending behaviour of consumers using cash and digital payment methods in Mysuru. It also helps identify consumer preferences, spending habits, transaction frequency, and the factors that influence their choice of payment method.

Sampling Design

A **non-probability sampling method** was adopted for the study. The respondents were selected through the **convenience sampling technique**, considering their availability and willingness to participate. The sampling unit included consumers living in Mysuru city who use cash, digital payments, or both for their regular transactions.

Sample Size

The study included **50 respondents** from Mysuru city. Information was collected through a structured questionnaire prepared using Google Forms. The respondents voluntarily participated in the survey.

Sources of Data

The research is mainly based on **primary data**, which were collected directly from consumers through the questionnaire. **Secondary data** were gathered from books, research journals, published articles, websites, and other reliable sources related to digital payment systems and consumer spending behaviour.

Plan of Analysis

After collecting the responses, the data were organised, classified, and analysed. Percentage analysis, frequency distribution, tables, graphs, **Cronbach's Alpha**, and the **Chi-square test** were used to interpret the data and examine

the relationship between payment methods and consumer spending behaviour.

Constraints of the Study

The study is limited to consumers residing in Mysuru city; therefore, the findings may not represent consumers from other locations. The survey was conducted within a limited period using Google Forms, which allowed participation only from respondents who had internet access and were willing to respond.

DATA ANALYSIS INTERPRETATION:

DEMOGRAPHY DATA

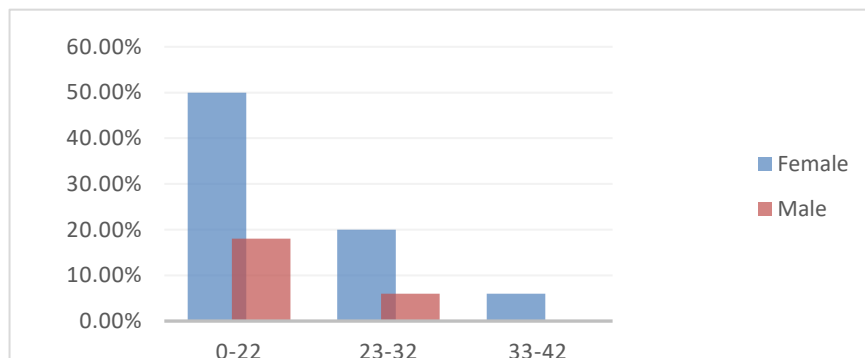
Gender			
Age Group	Female	Male	Grand Total
0-22	50.00%	18.00%	68.00%
23-32	20.00%	6.00%	26.00%
33-42	6.00%	0.00%	6.00%
Grand Total	76.00%	24.00%	100.00%

Analysis

Most of the respondents were young, with the largest share falling in the 0–22 age group, which accounted for 68% of the sample. In terms of gender, 76% were female and 24% were male. This shows that the survey was mainly completed by young female respondents, which is useful to keep in mind while interpreting the results

Interpretation

The sample is dominated by younger participants, especially females. This suggests that young consumers were more engaged in the survey and formed the major voice in the study.



INDEPENDENT DATA:

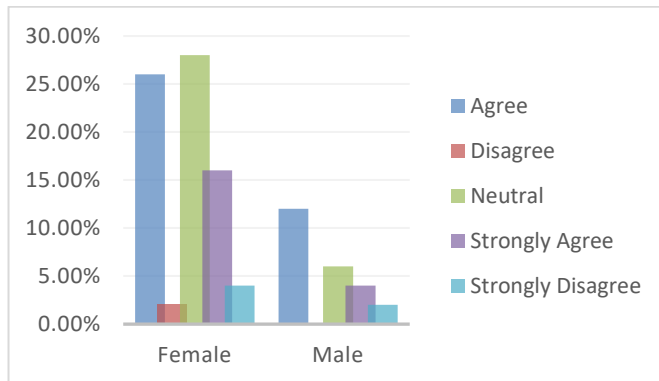
I feel safer using digital apps/cards than carrying cash in my pocket						
Gender	Agree	Disagree	Neutral	Strongly Agree	Strongly Disagree	Grand Total
Female	26.00%	2.00%	28.00%	16.00%	4.00%	76.00%
Male	12.00%	0.00%	6.00%	4.00%	2.00%	24.00%
Grand Total	38.00%	2.00%	34.00%	20.00%	6.00%	100.00%

Analysis

The table shows respondents' opinions on the statement "I feel safer using digital apps/cards than carrying cash in my pocket." Among the respondents, 38% agreed and 20% strongly agreed with the statement. 34% remained neutral, while 2% disagreed and 6% strongly disagreed.

Interpretation

The findings indicate that a majority of respondents feel safer using digital payment methods than carrying cash. This suggests a positive perception of the security and convenience offered by digital payment apps and cards among consumers.



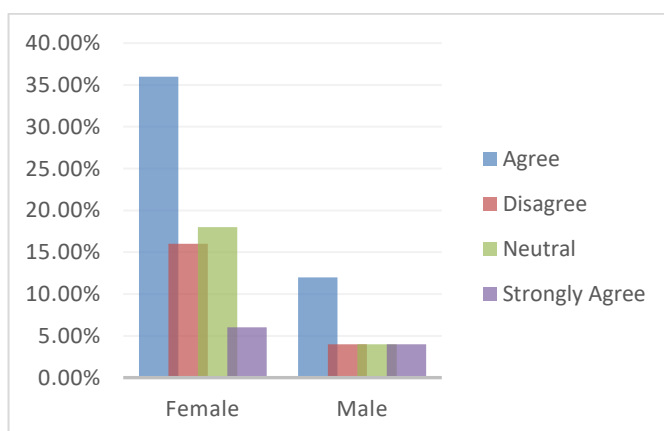
I use digital payments specifically to get discounts, offers, or cashback					
Gender	Agree	Disagree	Neutral	Strongly Agree	Grand Total
Female	36.00%	16.00%	18.00%	6.00%	76.00%
Male	12.00%	4.00%	4.00%	4.00%	24.00%
Grand Total	48.00%	20.00%	22.00%	10.00%	100.00%

Analysis

The table shows the respondents' opinion regarding the statement "I use digital payments specifically to get discounts, offers, or cashback." Among the respondents, 22% strongly agree with the statement. Female respondents account for 18%, while male respondents account for 4% of the total respondents.

Interpretation

The findings indicate that a section of consumers uses digital payment methods to avail discounts, offers, and cashback benefits. This suggests that promotional incentives play a role in encouraging the adoption and usage of digital payment modes among consumers.



DEPENDENT DATA:

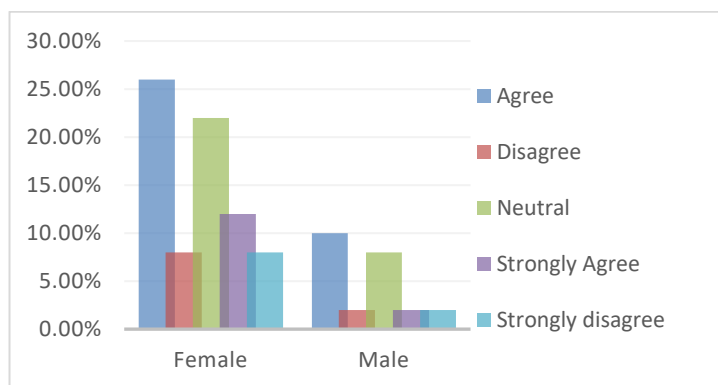
I find it difficult to keep track of my monthly budget when using digital payment methods						
Gender	Agree	Disagree	Neutral	Strongly Agree	Strongly disagree	Grand Total
Female	26.00%	8.00%	22.00%	12.00%	8.00%	76.00%
Male	10.00%	2.00%	8.00%	2.00%	2.00%	24.00%
Grand Total	36.00%	10.00%	30.00%	14.00%	10.00%	100.00%

Analysis

The table shows respondents' opinions regarding the statement "I find it difficult to keep track of my monthly budget when using digital payment methods." Among the respondents, 36% agree and 14% strongly agree with the statement. 30% of respondents are neutral, while 10% disagree and 10% strongly disagree.

Interpretation

The findings indicate that a considerable number of respondents find it difficult to monitor their monthly budget when using digital payment methods. This suggests that digital payments may encourage less awareness of spending among some consumers, making it harder for them to keep track of their expenses.



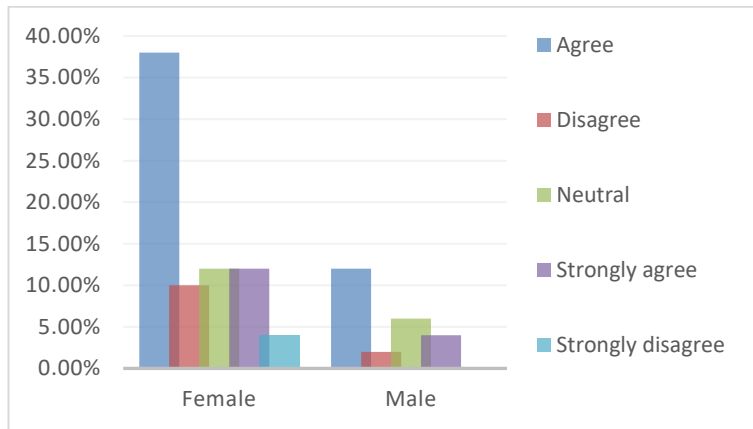
I am willing to spend a higher total amount on a shopping trip if I am paying via digital mode rather than cash.						
Gender	Agree	Disagree	Neutral	Strongly agree	Strongly disagree	Grand Total
Female	38.00%	10.00%	12.00%	12.00%	4.00%	76.00%
Male	12.00%	2.00%	6.00%	4.00%	0.00%	24.00%
Grand Total	50.00%	12.00%	18.00%	16.00%	4.00%	100.00%

Analysis

The table shows respondents' opinions regarding the statement "I am willing to spend a higher total amount on a shopping trip if I am paying via digital mode rather than cash." Among the respondents, 50% agree and 16% strongly agree with the statement. 18% are neutral, while 12% disagree and 4% strongly disagree.

Interpretation

The findings indicate that the majority of respondents are willing to spend a higher amount when making payments through digital modes compared to cash. This suggests that digital payment methods may encourage increased spending due to their convenience, ease of use, and reduced visibility of physical cash expenditure.



Reliability test:

Reliability Statistics

Cronbach's Alpha	N of Items
.795	3

The Cronbach's Alpha value is **0.795**, which is greater than **0.70**. This indicates that the questionnaire has good reliability and the items used in the study are internally consistent. Therefore, the instrument is considered reliable for further analysis.

Hypothesis test summary:

Hypothesis Test Summary				
	Null Hypothesis	Test	Sig.	Decision
1	The categories defined by 1. Gender = Female and Male occur with probabilities 0.5 and 0.5.	One-Sample Binomial Test	.001	Reject the null hypothesis.
2	The categories of 2. Age Group occur with equal probabilities.	One-Sample Chi-Square Test	.000	Reject the null hypothesis.
3	The categories of 3. Education Qualification occur with equal probabilities.	One-Sample Chi-Square Test	.000	Reject the null hypothesis.
4	The categories of 4. Monthly income level occur with equal probabilities.	One-Sample Chi-Square Test	.001	Reject the null hypothesis.
5	The categories of 5. Which mode of payment do you use most frequently for daily transactions? occur with equal probabilities.	One-Sample Chi-Square Test	.010	Reject the null hypothesis.
6	The categories of 6. I rarely carry cash and use digital payments for almost everything occur with equal probabilities.	One-Sample Chi-Square Test	.000	Reject the null hypothesis.
7	The categories of 7. I use digital payments because they are faster and easier than cash. occur with equal probabilities.	One-Sample Chi-Square Test	.001	Reject the null hypothesis.
8	The categories of 8. I feel safer using digital apps/cards than carrying cash in my pocket occur with equal probabilities.	One-Sample Chi-Square Test	.000	Reject the null hypothesis.
9	The categories of 9. I use digital payments specifically to get discounts, offers, or cashback occur with equal probabilities.	One-Sample Chi-Square Test	.003	Reject the null hypothesis.
10	The categories of 10. I prefer digital payments because they keep an automatic record of my spending history occur with equal probabilities.	One-Sample Chi-Square Test	.000	Reject the null hypothesis.
11	The categories of 11. I spend more money without planning when I pay digitally compared to when I use cash occur with equal probabilities.	One-Sample Chi-Square Test	.000	Reject the null hypothesis.

Asymptotic significances are displayed. The significance level is .05.

Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation	Variance
11. I spend more money without planning when I pay digitally compared to when I use cash	49	1	5	3.86	1.099	1.208
10. I prefer digital payments because they keep an automatic record of my spending history	49	1	5	3.86	.866	.750
Valid N (listwise)	49					

Chi-Square Test:

Frequencies

14. I find it difficult to keep track of my monthly budget when using digital payment methods			
	Observed N	Expected N	Residual
1	13	35.6	-22.6
2	13	35.6	-22.6
3	51	35.6	15.4
4	66	35.6	30.4
5	35	35.6	-.6
Total	178		

13. It is harder for me to save money or follow a budget when I use digital payments			
	Observed N	Expected N	Residual
1	3	35.6	-32.6
2	10	35.6	-25.6
3	27	35.6	-8.6
4	88	35.6	52.4
5	50	35.6	14.4
Total	178		

Test Statistics

	14. I find it difficult to keep track of my monthly budget when using digital payment methods	13. It is harder for me to save money or follow a budget when I use digital payments
Chi-Square	61.326 ^a	133.292 ^a
df	4	4
Asymp. Sig.	.000	.000

a. 0 cells (0.0%) have expected frequencies less than 5. The minimum expected cell frequency is 35.6.

Findings

- Female respondents made up the majority of the sample (76%), while males accounted for 24%.
- Most participants (68%) were aged 0–22 years, showing that younger consumers are the main users of digital payment systems in this study.
- A large share of respondents prefer digital payment methods because they find them convenient, fast, and easy to use.
- More than half of respondents reported feeling safer using digital apps and cards than carrying cash.
- Many respondents indicated that using digital payments tends to encourage higher spending compared with cash transactions.

Suggestions

- Monitor spending: Consumers should review their transactions frequently (through bank statements, app histories, or budgeting apps) to avoid overspending with digital payments.
- Promote financial literacy: Local institutions and educational bodies should run workshops or short courses to teach budgeting, expense tracking, and responsible use of digital payment tools.
- Strengthen security: Payment providers should continue improving authentication, fraud detection, and user education to boost trust in digital payments.
- Design responsible rewards: Cashback and reward programs should be structured to encourage sustainable, planned use (for example, capping incentives or linking rewards to savings goals)

Conclusion

The study finds that digital payment methods have had a clear influence on consumer spending behaviour in Mysuru. People increasingly choose digital transactions for their speed, ease, accessibility, and promotional benefits such as discounts and cashback. At the same time, digital payments can make it easier to spend more and harder for some users to keep track of expenditures.

While cash still helps many consumers control their spending, digital payments are now a core part of everyday transactions—especially among younger people. To enjoy the benefits of digital payments without falling into impulsive spending, users should adopt simple money-management practices: track transactions regularly, set budgets, and mix cash and digital methods as appropriate.

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