

The Impact of Digital Payment System on Consumer Behavior A Study Conducted in Mysore

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Abstract

The transition to a digitally driven ecosystem has altered the psychological relationship between consumers and money by removing the traditional "pain of paying". Objectives: This study investigates the impact of digital payment systems on consumer behavior in Mysuru, assessing user perceptions of transaction accessibility and its subsequent influence on purchase frequency and impulsive consumption. Methodology: Utilizing a descriptive and analytical design, primary data was gathered from 150 adult consumers in Mysuru using a convenience sampling technique. The data was analyzed using descriptive statistics and non-parametric One-Sample Chi-Square tests. Young adults aged 18–25 represent the primary user segment (61.54%). A majority of respondents agreed that digital payments are widely available (40.38%) and accelerate transaction speed. One-Sample Chi-Square testing confirmed that transaction processing speed significantly differs from equal probability distributions ($p = 0.012$), proving that operational velocity is a core driver of platform utility. Furthermore, 28.85% of respondents agreed that digital systems encourage more frequent purchases by eliminating cash-withdrawal constraints. However, inferential testing regarding the explicit acceleration of unplanned or impulsive purchases yielded a non-significant distribution ($p = 0.874$), suggesting that structural overspending remains mediated by individual financial discipline. Conclusion: The study concludes that while digital infrastructure has successfully accelerated transaction convenience across Mysuru, it creates a dual behavioral paradigm where transactional autopilot increases buying frequency, though explicit impulse control still varies significantly by individual financial habits.

INTRODUCTION

The global financial landscape has undergone a monumental paradigm shift over the Last decade transitioning rapidly from a Cash reliant society to a digitally driven ecosystem. The proliferation of smartphones, high speed internet, and fintech innovations has integrated digital payment systems ranging from mobile wallets and UPI networks to contactless credit cards into the fabric of daily commerce. What began as a tool for transactional convenience has evolved into a fundamental restructuring of modern trade. As physical currency becomes increasingly obsolete, the psychological relationship between consumers and their money is fundamentally changing. Traditional economics posits that consumers are rational actors; however, behavioral economics suggests that the medium of payment heavily influences spending choices. The concept of the "pain of paying" suggests that parting with physical cash acts as a psychological barrier to overspending. Digital payment system effectively anesthetize this pain, making transactions frictionless and instantaneous. Consequently, this shift has profound implications on consumer behavior, altering spending thresholds, accelerating impulsive buying tendencies, and redefining personal budgeting habit. While existing literature extensively covers the technological adoption rates and security frameworks of digital banking, there remains a critical gap regarding its long-term psychological impacts on consumers financial health. Much of the consumer's behavioral vulnerabilities. In an era where "Buy Now, Pay Later" (BNPL) and one-click checkouts are ubiquitous, understanding the precise mechanisms by which digital interfaces manipulate consumer decision-making is more urgent than ever. This study aims to bridge this gap by investigating how the convenience of digital payment systems influences consumer purchasing velocity, volume, and post-purchase satisfaction. Specifically, this paper addresses the core question. To what extent do

digital payment mechanisms exacerbate impulsive consumption across different demographic groups. By examining these behavioral shifts, this research provides valuable insights for financial regulators designing consumers protection polices, fintech developers aiming to build ethical interfaces and consumers striving to maintain financial literacy in cash less world. Consequently, current academic scholarship suffers from a critical shortage of empirical, longitudinally tracked insights into the post-adoption behavioral distortions induced by long-term digital payment reliance. There is a profound lack of unified theoretical modeling that bridges the gap between FinTech interface design and the erosion of internal consumer budget discipline.

REVIEW OF LITERATURE

In a recent study by **Sharma and Gupta (2024)**, the impact of Unified Payments Interface (UPI) on consumer behavior in India was explored. The research revealed that the convenience, speed, and simplicity of digital transactions led to a significant increase in both online and offline purchases. Consumers showed a preference for digital payments over cash, citing accessibility and user-friendly features as key factors. Similarly, **Patel and Mehta (2024)** delved into the connection between digital payment adoption and consumer spending habits. Their research showed that users of digital payments tend to make more frequent purchases, as the absence of physical cash reduces the psychological barrier to spending, resulting in increased purchase intentions and impulse buying behavior. Furthermore, a study conducted by **Kumar et al. (2024)** examined the factors influencing the acceptance of digital payments among urban consumers. The findings highlighted that perceived security, trust in payment platforms, and transaction efficiency play a key role in enhancing consumer satisfaction and promoting the continued use of digital payment systems. Additionally, **Reddy and Rao (2023)** analyzed consumer preferences for mobile wallets and UPI applications. The study underlined that promotional offers, cashback rewards, and transaction ease are key motivators for consumers to embrace these digital payment methods. **Singh and Kaur (2023)** explored the effect of digital payments on purchasing decisions among young consumers. Their research found that smartphone-based payment applications have become an integral part of daily life, influencing purchasing decisions through convenience and instant transaction capabilities. **Joshi and Sharma (2023)** examined the role of trust and security in digital payment adoption. The study revealed that consumers are more likely to use digital payment systems when they perceive them as secure and reliable. Concerns regarding fraud and privacy remain significant barriers to adoption. **Verma et al. (2023)** investigated consumer behavior during the post-pandemic period. The researchers observed a substantial increase in contactless payment usage due to health and safety concerns. This shift resulted in long-term changes in consumer payment preferences and shopping behavior. **Nair and Menon (2022)** studied the influence of digital payment systems on customer satisfaction in retail stores. The findings indicated that faster checkout processes, reduced transaction time, and ease of use enhance customer satisfaction and encourage repeat purchases. In a recent study by **Agarwal and Mishra in (2022)**, they delved into how digital payment platforms are affecting online shopping behavior. The findings revealed that consumers using digital payments displayed increased trust in e-commerce transactions and were more inclined to make frequent online purchases. Similarly, **Bhatia and Jain's research in (2022)** explored consumer perspectives on digital payments in semi-urban regions. Their study highlighted that the rise in digital literacy, government programs, and smartphone usage has played a significant role in encouraging the adoption of digital payment systems, consequently reshaping traditional buying patterns.

STATEMENT OF THE STATEMENT

Digital payments are a triumph of convenience. With mobile wallets, instant QR code scans, and tap-and-go biometrics, we have successfully removed almost all the friction from buying things. But while we have built an incredibly efficient engine for moving money, we haven't accounted for what this does to human psychology.

The core of the problem is that technology has effectively made spending invisible. In a traditional cash economy, buying something came with a small but vital emotional speedbump known as the "pain of paying." Physically handing over paper bills and watching a wallet empty provides a real-time reality check. Digital payment systems systematically eliminate this emotional brake. By detaching the immediate joy of buying a product from the actual concrete awareness of losing wealth, consumers enter a state of transactional autopilot.

NEED OF THE STUDY

The global shift from using physical cash to seamless digital payments like mobile wallets, tap-to-go biometrics, and instant QR scans has transformed the way modern society carries out transactions. This technological advancement has led to an unintended psychological experiment on human behavior. In a cash-based economy, making a purchase involves a small but significant emotional hurdle called the "pain of paying" - the act of physically handing over paper bills serves as a real-time reminder of spending money. Digital payment platforms have effectively eliminated this emotional friction. By separating the pleasure of buying a product from the physical sensation of parting with money, transactions become more discreet, causing our minds to operate on autopilot, struggling to keep pace with our spending.

The main issue at hand is that in this seamless setting, consumers are at high risk of overspending without thinking and making impulse purchases. This problem gets even more complex when combined with today's retail environments, where advanced AI systems track our behaviors, anticipate our wants, and present customized offers directly on platforms that enable us to make purchases with just one click. There is no longer a pause to consider if a purchase is truly within our means. Instead, the boundaries of traditional budgeting become unclear, immediate satisfaction takes precedence over long-term financial well-being, and consumers find themselves caught in cycles of debt (such as with Buy-Now-Pay-Later models). While experts have dedicated years to enhancing the speed and security of financial technology, there is a notable blind spot when it comes to understanding its lasting effects on human financial behavior.

OBJECTIVES OF THE STUDY

1. To Analyse the consumer perception regarding the ease of use and security of digital payment systems.
2. To examine the influence of digital payment systems on consumer spending habits and impulse buying behaviour.
3. To Evaluate the significant relationship exists between the adoption of digital payments and the frequency of consumer purchases.

HYPOTHESIS

Null hypothesis

The integration of contactless and one-click digital payment systems has no statistical correlation with the frequency or volume of unplanned, impulse purchases.

Alternative hypothesis

In simpler terms, the idea being tested is that using contactless methods like Apple Pay or tap-to-pay, along with one-click digital payment options, might lead

to more spontaneous and unplanned purchases.

RESEARCH METHEDODOLOGY

1.Research design

In this study, we are using a research design that is both descriptive and analytical. Our goal is to paint a picture of the current trends in digital payment adoption and delve into the ways these payment methods impact different aspects of consumer behaviour, such as how quickly people spend, their tendency for impulse buying, and their habits when it comes to budgeting. To achieve this, we are employing a quantitative survey-based approach to unveil statistical relationships between the various variables.

2.Sampling design

In this study, we focus on active consumers who participate in both digital and traditional transactions as our target population. To ensure a feasible study, a specific subset of this population is chosen. The sampling methodology defines the approach employed to select participants capable of offering valuable perspectives on contemporary payment behaviour.

3.Sampling technique

In order to collect data effectively, we use a Non-Probability Sampling approach. This method is chosen because a comprehensive list of all digital payment users is not available. Non-probability sampling enables the researcher to gather data within a practical timeframe and budget.

4.Convenience technique

Convenience Sampling Method In this approach, participants are chosen based on their ease of access and proximity to the researcher, such as tech-savvy individuals, university students, or local shoppers.

5.Sampling unit

In this study, we consider a sampling unit to be an adult consumer (18 years and older) who possesses a smartphone or a bank account and has engaged in any type of digital payment method (such as mobile wallets, UPI, contactless cards, or net banking) in the past month.

6.Sample size

In this study, we have gathered data from 150 participants. We chose this number to make sure

we have enough statistical power to conduct quantitative analyses, like chi-square tests or multiple regressions, while still keeping the study logistically manageable.

SOURCE OF DATA COLLECTION

Primary data

We will gather new information by directly collecting primary data from the source through a well-organized online survey using Google Forms. This survey will help us understand payment frequency, average transaction value, and instances of impulse buying.

Secondary data

Additional Information Sources: In order to develop the foundation of our research and delve into existing knowledge, we will collect secondary data from various sources such as academic journals, reports from the financial sector, databases containing market research, and textbooks that cover consumer psychology and financial technology.

PLAN OF ANALYSIS

We will start by cleaning, coding, and analysing the primary data using statistical software like SPSS or Excel. For Descriptive Statistics, we will utilize percentages, mean scores, and frequency distributions to outline demographic data and basic spending behaviour. Moving on to Inferential Statistics, we will conduct Chi-square tests or Independent Samples T-tests to examine our hypotheses, focusing on whether there is a notable difference in impulse buying or transaction values between frequent digital payment users and traditional cash users.

LIMITATION OF THE STUDY

Sampling Bias: Because convenience sampling is used, the findings may not be entirely generalizable to the wider national population, particularly rural populations with lower digital literacy.

Self-Reporting Bias: The study relies heavily on self-reported survey data, which may be subject to memory lapses or social desirability bias regarding personal financial habits.

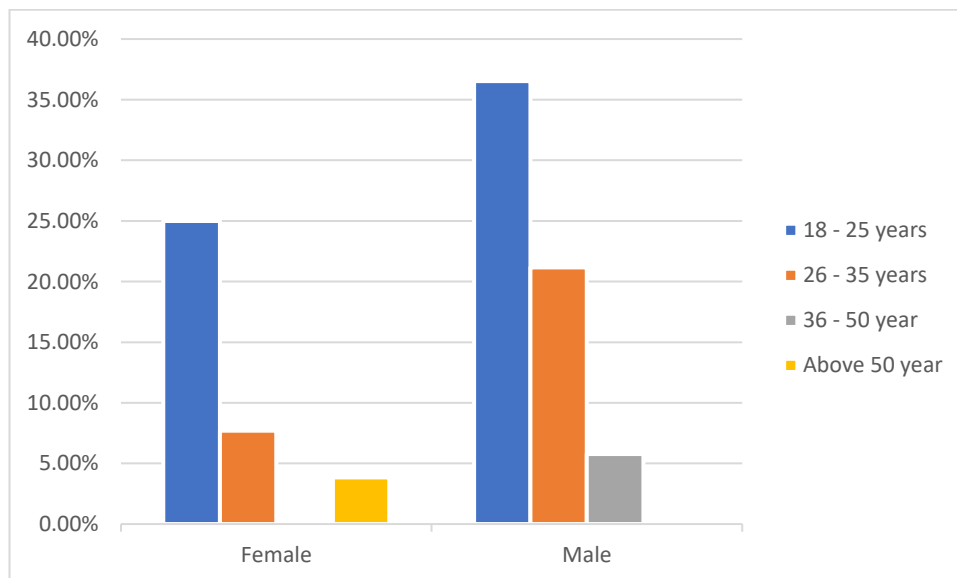
Time and Resource Constraints: The research is limited to a cross-sectional timeframe, capturing consumer behaviour at a single point in time rather than tracking changes over a longer duration.

DATA ANALYSIS AND INTERPRITATION

PART – A

Demographic Variables

1.Age and Gender					
Gender	18 - 25 years	26 - 35 years	36 - 50 year	Above 50 year	Grand Total
Female	25.00%	7.69%	0.00%	3.85%	36.54%
Male	36.54%	21.15%	5.77%	0.00%	63.46%
Grand Total	61.54%	28.85%	5.77%	3.85%	100.00%



Analysis:

Analysis of the data reveals that 63.46% of the participants are male, while 36.54% are female. The majority of respondents (61.54%) fall into the 18–25 age bracket, with 28.85% belonging to the 26–35 age group. These findings suggest that young adults are the main users of digital payment platforms and are actively involved in digital transactions.

Interpretation:

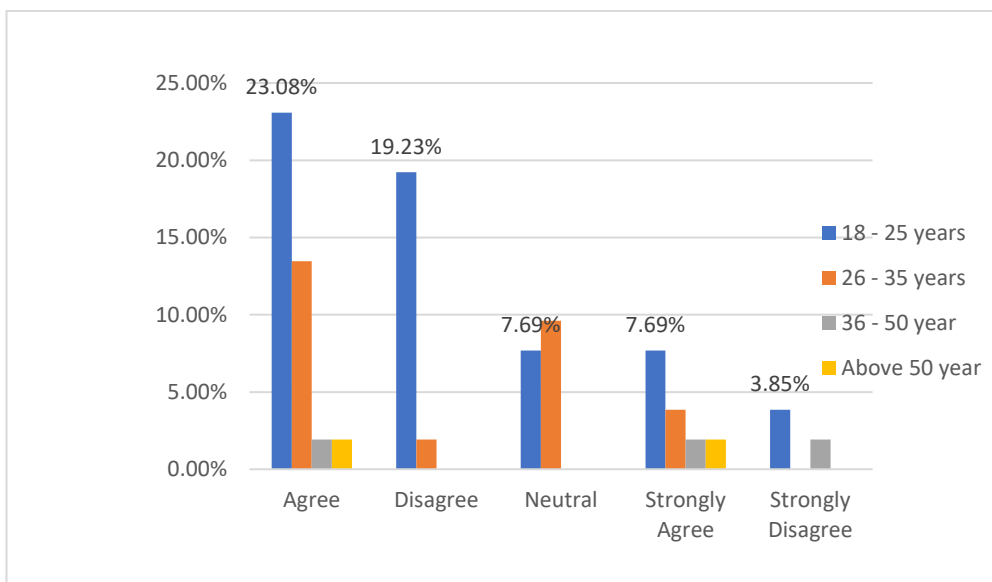
The data indicates that the majority of respondents are young adults aged 18–25 years, suggesting that younger consumers are more actively engaged in digital payment systems. The higher proportion of male respondents compared to female respondents shows greater participation of males in the survey. Since young consumers are generally more familiar with technology and mobile applications, the findings suggest that digital payment systems have a stronger influence on the behavior of younger users, affecting their purchasing decisions, spending patterns, and convenience in financial transactions.

PART – B

Independent Variable

2. Digital payment applications are user-friendly and easy to navigate.

Responses	18 - 25 years	26 - 35 years	36 - 50 year	Above 50 year	Grand Total
Agree	21.15%	7.69%	0.00%	0.00%	28.85%
Disagree	9.62%	3.85%	1.92%	1.92%	17.31%
Neutral	19.23%	3.85%	1.92%	1.92%	26.92%
Strongly Agree	3.85%	3.85%	1.92%	0.00%	9.62%
Strongly Disagree	7.69%	9.62%	0.00%	0.00%	17.31%
Grand Total	61.54%	28.85%	5.77%	3.85%	100.00%



Analysis:

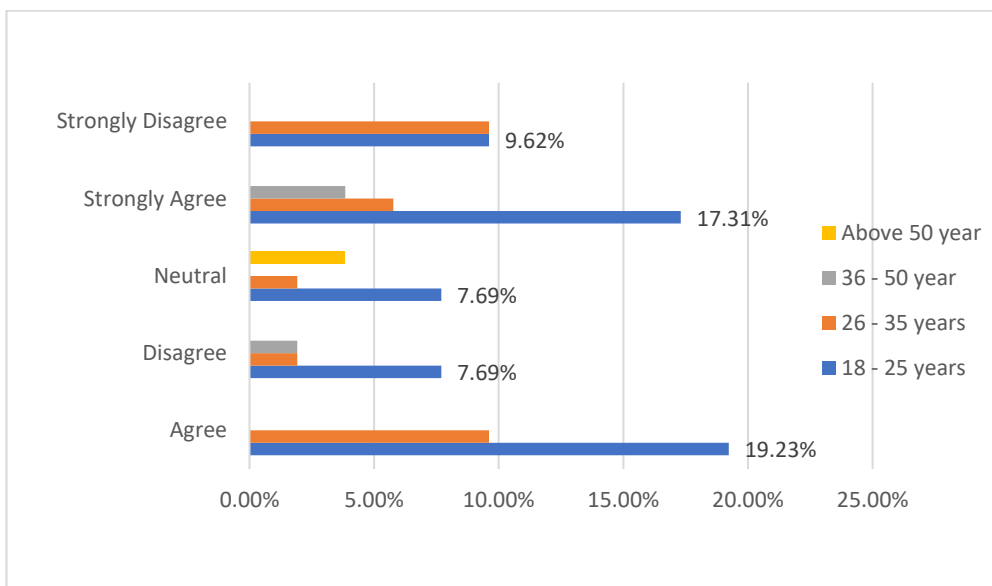
The data presented in the table reflects what people think about the user-friendliness and ease of navigation of digital payment apps. A good portion, 28.85%, agreed while 9.62% strongly agreed, showing a favourable view of these apps. On the other hand, 17.31% disagreed and an equal percentage strongly disagreed. Moreover, 26.92% remained neutral on this matter.

Interpretation

The results show that more people seem to like how easy digital payment apps are to use. This means that simple navigation and ease of use play a positive role in getting consumers to use these systems. But, there are also some users who are neutral or have negative opinions, which suggests that there are still challenges for some people when using these apps.

3 Digital payment modes are widely available and accepted at almost all retail outlets I visit.

Responses	18 - 25 years	26 - 35 years	36 - 50 year	Above 50 year	Grand Total
Agree	23.08%	13.46%	1.92%	1.92%	40.38%
Disagree	19.23%	1.92%	0.00%	0.00%	21.15%
Neutral	7.69%	9.62%	0.00%	0.00%	17.31%
Strongly Agree	7.69%	3.85%	1.92%	1.92%	15.38%
Strongly Disagree	3.85%	0.00%	1.92%	0.00%	5.77%
Grand Total	61.54%	28.85%	5.77%	3.85%	100.00%



Analysis:

The table shows respondents' opinions on whether digital payment modes are widely available and accepted at almost all retail outlets. A majority of respondents agreed (40.38%) with the statement, while 15.38% strongly agreed. On the other hand, 21.15% disagreed and 5.77% strongly disagreed. Additionally, 17.31% of respondents remained neutral.

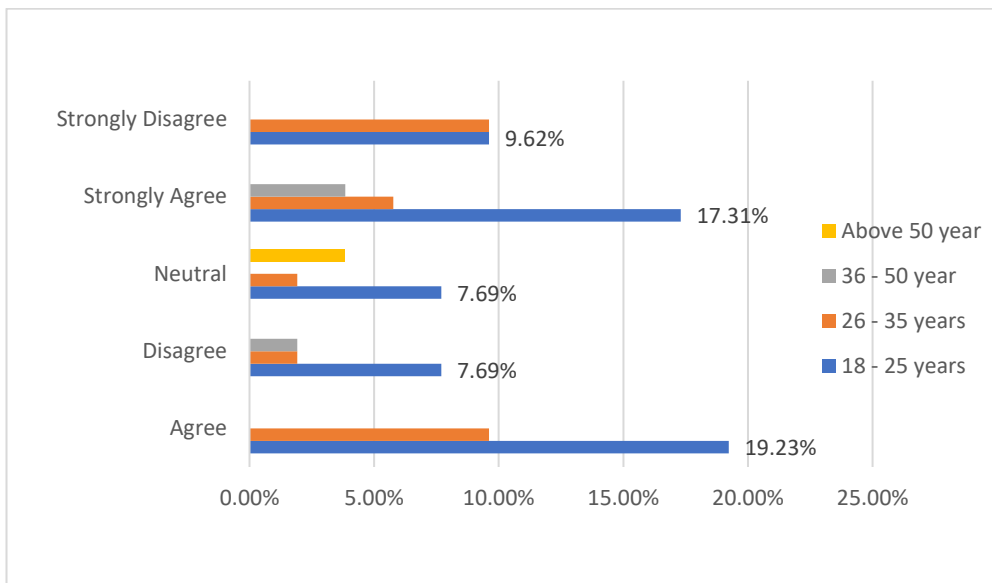
Interpretation:

Based on the results, it seems that the majority of participants trust that digital payment options are easily accessible and commonly used in various stores. This broad acceptance motivates people to opt for digital transactions more often, leading to a positive impact on their buying habits and overall convenience.

4. Digital payment methods process transactions significantly faster than cash transactions.

Responses	18 - 25 years	26 - 35 years	36 - 50 year	Above 50 year	Grand Total
Agree	13.46%	5.77%	1.92%	0.00%	21.15%
Disagree	7.69%	1.92%	0.00%	1.92%	11.54%
Neutral	23.08%	13.46%	3.85%	1.92%	42.31%
Strongly Agree	7.69%	7.69%	0.00%	0.00%	15.38%
Strongly Disagree	9.62%	0.00%	0.00%	0.00%	9.62%

Grand Total	61.54%	28.85%	5.77%	3.85%	100.00%
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Analysis:

The table shows respondents' opinions on whether digital payment methods process transaction

significantly faster than cash transactions. The highest proportion of respondents (42.31%) remained neutral. However, 21.15% agreed and 15.38% strongly agreed, indicating a positive perception of the speed of digital payments. On the other hand, 11.54% disagreed and 9.62% strongly disagreed with the statement.

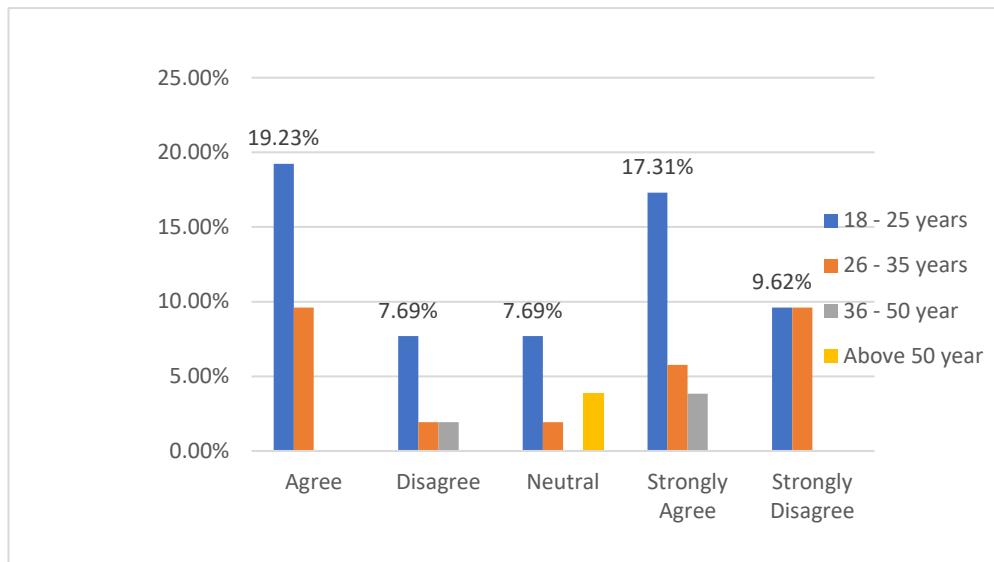
Interpretation:

Findings from the study show that a majority of survey participants think that digital payment options are readily accessible and accepted in various retail stores. This broad acceptance motivates customers to make more frequent use of digital payments, which in turn has a positive impact on their shopping habits and transaction convenience. Nonetheless, a small number of respondents still feel that there are restrictions in the availability and acceptance of digital payment methods.

PART – C

Dependent Variable

5.I tend to spend more money overall when I pay digitally compared to when I carry physical cash.					
Responses	18 - 25 years	26 - 35 years	36 - 50 year	Above 50 year	Grand Total
Agree	15.38%	3.85%	0.00%	0.00%	19.23%
Disagree	11.54%	7.69%	0.00%	1.92%	21.15%
Neutral	15.38%	3.85%	3.85%	0.00%	23.08%
Strongly Agree	13.46%	7.69%	1.92%	1.92%	25.00%
Strongly Disagree	5.77%	5.77%	0.00%	0.00%	11.54%
Grand Total	61.54%	28.85%	5.77%	3.85%	100.00%



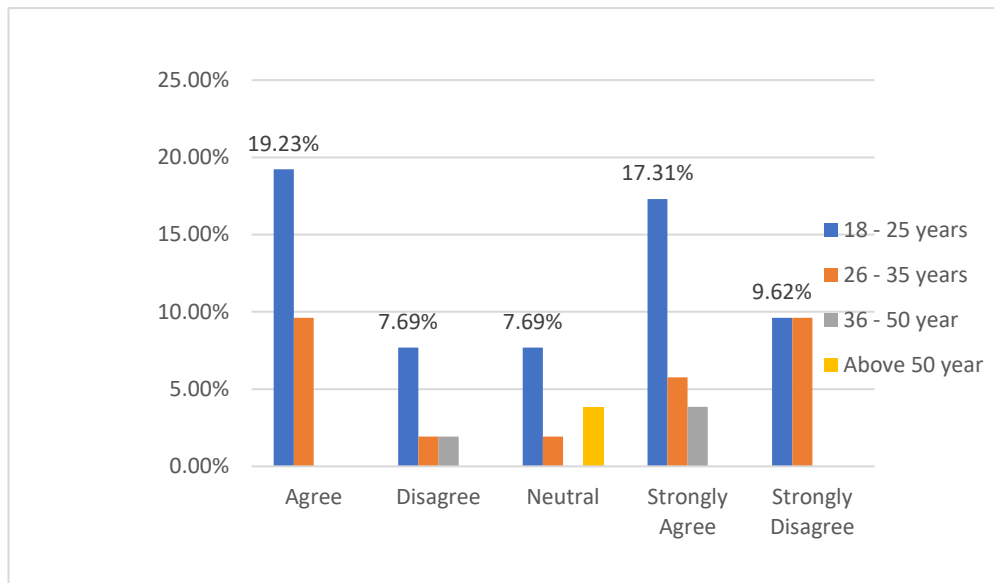
Analysis:

In the table, you can see how people feel about spending more money when using digital payments versus cash. The largest group of respondents (25.00%) had a neutral stance. About 19.23% agreed and 11.54% strongly agreed that digital payments can result in increased spending. On the other hand, 21.15% disagreed and 23.08% strongly disagreed with this idea.

Interpretation:

Analysis of the results shows that there are varied perspectives on how digital payments impact spending habits. While some people think that digital payments lead to increased spending because of their convenience, a majority either do not agree or have no strong opinion. This implies that the influence of digital payment methods on consumer spending behaviors can vary based on individual financial behaviors and preferences.

6.I make purchases more often now because digital payment methods reduce the hassle of withdrawing cash.					
Responses	18 - 25 years	26 - 35 years	36 - 50 year	Above 50 year	Grand Total
Agree	19.23%	9.62%	0.00%	0.00%	28.85%
Disagree	7.69%	1.92%	1.92%	0.00%	11.54%
Neutral	7.69%	1.92%	0.00%	3.85%	13.46%
Strongly Agree	17.31%	5.77%	3.85%	0.00%	26.92%
Strongly Disagree	9.62%	9.62%	0.00%	0.00%	19.23%
Grand Total	61.54%	28.85%	5.77%	3.85%	100.00%



Analysis:

The table presents respondents' opinions on whether they make purchases more often because digital payment methods reduce the hassle of withdrawing cash. The highest percentage of respondents agreed (28.85%), followed by strongly agree (26.92%). Meanwhile, 13.46% remained neutral, 11.54% disagreed, and 19.23% strongly disagreed with the statement.

Interpretation:

The findings indicate that a majority of respondents believe that digital payment methods encourage more frequent purchases by eliminating the need to withdraw cash. This convenience factor positively influences consumer buying behavior and increases the frequency of transactions. However, some respondents disagreed, suggesting that purchasing decisions may also depend on individual spending habits and financial discipline.

SPSS TEST

HYPHESIS TEST

Hypothesis Test Summary

	Null Hypothesis	Test	Sig.	Decision
1	The categories of 7. I feel secure and confident that my financial data is protected when using digital payments." occur with equal probabilities.	One-Sample Chi-Square Test	.086	Retain the null hypothesis.
2	The categories of 8. Digital payment methods process transactions significantly faster than cash transactions." occur with equal probabilities.	One-Sample Chi-Square Test	.012	Reject the null hypothesis.

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

N Par Tests

Descriptive Statistics					
	N	Minimum	Maximum	Mean	Std. Deviation
9. Digital payment modes are widely available and accepted at almost all retail outlets I visit.	36	1	5	3.11	1.116
12. The convenience of digital payments makes me make unplanned or impulsive purchases more frequently.	36	1	5	2.83	1.363
Valid N (listwise)	36				

Chi-square Test

Frequencies

9. Digital payment modes are widely available and accepted at almost all retail outlets I visit.			
	Observed N	Expected N	Residual
1	3	7.2	-4.2
2	9	7.2	1.8
3	7	7.2	-.2
4	15	7.2	7.8
5	2	7.2	-5.2
Total	36		

12. The convenience of digital payments makes me make unplanned or impulsive purchases more frequently.			
	Observed N	Expected N	Residual
1	8	7.2	.8
2	7	7.2	-.2
3	9	7.2	1.8
4	7	7.2	-.2
5	5	7.2	-2.2
Total	36		

Test Statistics

	9.Digital payment modes are widely available and accepted at almost all retail outlets I visit.	12. The convenience of digital payments makes me make unplanned or impulsive purchases more frequently.
Chi-Square	15.111 ^a	1.222 ^a
df	4	4
Asymp. Sig.	.004	.874
a. 0 cells (0.0%) have expected frequencies less than 5. The minimum expected cell frequency is 7.2.		

FINDING

- Most consumers in Mysore prefer digital payment methods such as UPI, mobile banking, and debit/credit cards for daily transactions.
- Convenience and time-saving are the main reasons for using digital payment systems.
- Digital payment systems have increased online shopping and cashless transactions among consumers.
- Security concerns and internet connectivity issues remain the major problems faced by users.

CONCLUSION

The study concludes that digital payment systems have significantly influenced consumer behaviour in Mysore. Consumers increasingly prefer digital transactions because they are convenient, fast, and secure. The use of digital payment methods has changed purchasing patterns and increased online shopping activities. However, concerns regarding cybersecurity and internet connectivity still exist. Overall, digital payment systems have contributed positively to the transformation of consumer behaviour and will continue to play an important role in India's move towards a cashless economy.

SUGGSETION

- Banks and financial institutions should create awareness about safe digital payment practices and cyber security.
- The government should improve internet connectivity and digital infrastructure, especially in rural areas.
- Digital payment service providers should strengthen security features to reduce fraud and increase user confidence.
- Training and financial literacy programs should be conducted to encourage more people to use digital payment systems effectively

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