

The Study on Consumer Spending in the Era of Digital Payment

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ABSTRACT

The rapid growth of digital payment systems has transformed the way consumers carry out financial transactions in India. With the widespread use of smartphones, affordable internet access, and initiatives promoting a cashless economy, digital payment methods such as UPI, mobile wallets, debit and credit cards, and online banking have become a regular part of daily life. This shift from cash to digital payments has improved convenience and speed while also influencing consumer spending behavior. The study aims to examine the impact of digital payment adoption on consumer spending patterns, focusing on demographic, behavioral, and psychological factors. It explores whether digital payments encourage higher spending and impulsive buying or support better financial management through tracking and budgeting features. Using a descriptive research design and both primary and secondary data, the study analyzes spending behavior, trust, security, and the role of promotional incentives. The findings offer useful insights for businesses, financial institutions, and policymakers in developing responsible and consumer-focused digital payment solutions.

Keywords: Digital Payments, Consumer Spending, UPI, Cashless Economy, Consumer Behavior, Impulse Buying, Financial Inclusion, India

1. INTRODUCTION

In recent years, digital payments have become an important part of everyday financial life. With the increasing use of smartphones, easy access to the internet, and government initiatives supporting a

cashless economy, India has seen a major shift from cash transactions to digital payment methods such as UPI, mobile wallets, and online banking. These platforms have made payments quicker, safer, and more convenient for consumers.

People now prefer digital payments not only for ease of use but also for benefits like cashback offers, rewards, and easy tracking of expenses. This shift has changed consumer spending behavior by influencing how often and where people spend their money. Digital payments have also supported financial inclusion by bringing more users, including those from semi-urban and rural areas, into the formal financial system.

Despite their wide adoption, it is important to understand how digital payments affect consumer spending habits. This study examines the factors influencing digital payment usage and analyzes how these systems have reshaped consumer spending behavior.

2. REVIEW OF LITERATURE

Digital payments have transformed financial transactions in India due to increased internet access, smartphone usage, and government initiatives such as Digital India, BHIM, and UPI. This shift from cash to digital payments has significantly influenced consumer spending behavior, including impulse buying and financial management. The following studies highlight key insights and research gaps related to digital payments and consumer spending.

1) Agarwal and Subnani (2024)

The study found that increased adoption of digital

payments led to higher consumer spending. A 10% rise in prior cash dependence resulted in a 2.38% increase in monthly spending, indicating a lasting “digital payment effect” on consumer behavior.

2) Lakshmi (2023)

This research highlights that government initiatives and digital platforms have promoted financial inclusion beyond urban areas. However, challenges such as low digital literacy and infrastructure issues continue to affect adoption and trust.

3) Kearney India & Amazon Pay (2025)

The report shows that women and Gen Z are leading digital payment adoption. It also notes significant growth in digital payments in smaller towns, reflecting the widespread acceptance of cashless transactions across regions.

4) Reserve Bank of India (2024)

RBI data reveals a sharp decline in cash usage and a significant rise in digital transactions, especially UPI-based payments, confirming India’s transition toward a less-cash economy.

5) The Indian Express Research Desk (2025)

The study reports that a large share of digital payments is credit or EMI-based, which has encouraged higher-value purchases but also raised concerns about increased credit dependence and lower savings.

6) Yue et al. (2022)

This study discusses the dual impact of digital finance, noting that while it promotes financial inclusion, it can also lead to overspending and debt without proper financial awareness.

7) Dev et al. (2024)

The research found that most UPI users experienced increased spending after adoption, mainly due to reduced “pain of paying,” which encourages impulsive purchasing behavior.

3. STATEMENT OF THE PROBLEM

The rapid growth of digital payment systems in India, including UPI, mobile wallets, cards, and online banking, has significantly changed how consumers make payments and manage their spending. While these platforms offer convenience, speed, and attractive incentives such as cashback and rewards, they have also influenced consumer spending behavior by reducing the psychological “pain of paying,” often leading to impulsive and unplanned purchases. At the same time, digital tools enable expense tracking and budgeting, creating a mixed impact on financial discipline. Despite widespread adoption, limited research has examined how digital payments affect consumer spending behavior in the Indian context, particularly across different demographic groups. This study aims to address this gap by analyzing the behavioral, demographic, and technological factors influencing consumer spending in the era of digital payments.

4. OBJECTIVES OF THE STUDY

1. To examine the influence of demographic factors (age, gender, income, education, and urban-rural location) on digital payment usage and spending patterns.
2. To investigate the behavioral and psychological effects of digital payments, including impulsive buying and budgeting habits.
3. To evaluate the role of trust, security, and promotional incentives in shaping consumer spending behavior through digital payment systems

5. RESEARCH METHODOLOGY

The study adopts a descriptive research design to examine consumer spending behavior in the era of digital payments among Indian consumers.

5.1 Sample Size

The sample consists of 100 consumers from different demographic backgrounds.

5.2 Sampling Technique

A stratified random sampling technique was used to select respondents.

5.3 Data Collection

Primary data was collected through a structured questionnaire, while secondary data was gathered from RBI reports, research articles, and industry publications.

5.4 Tools for Data Analysis

Data was analyzed using percentage analysis, mean, frequency, and inferential tools such as Chi-square and correlation.

6. DATA ANALYSIS AND INTERPRETATION

The data collected through structured questionnaires was analyzed using descriptive and inferential statistical tools to understand consumer spending behavior in the era of digital payments. Descriptive analysis such as percentage and frequency distribution was used to examine demographic characteristics of respondents, digital payment usage patterns, and spending behavior. The analysis revealed that a majority of respondents regularly use digital payment methods such as UPI and mobile wallets for both online and offline transactions, mainly due to convenience, speed, and cashback offers.

Interpretation of the data indicates that digital payment usage has influenced consumer spending frequency, with many respondents reporting increased spending after adopting digital payment modes. The ease of payment and reduced "pain of paying" were found to encourage impulsive purchases, especially in categories such as food delivery, entertainment, and e-commerce. At the same time, some respondents reported improved expense tracking and budgeting due to transaction records available on digital platforms.

Inferential analysis tools such as Chi-square and correlation were used to study the relationship between demographic factors and spending behavior. The results suggest a significant association between age, income level, and digital payment usage, indicating that younger and middle-income consumers are more active digital payment users. Overall, the analysis highlights that while digital payments promote convenience and

financial inclusion, they also play a significant role in shaping consumer spending patterns.

7. FINDINGS OF THE STUDY

- Digital payment methods such as UPI and mobile wallets are widely used due to their convenience and speed.
- Cashback offers and rewards encourage consumers to use digital payments more frequently.
- Many consumers reported increased spending after adopting digital payments.
- Reduced "pain of paying" leads to impulsive and unplanned purchases.
- Younger and middle-income groups are more active users of digital payment systems.
- Digital payments have supported financial inclusion and easier access to financial services.
- Some users still have concerns regarding security and privacy.
- Overall, digital payments have a significant impact on consumer spending behavior.

8. SUGGESTIONS AND RECOMMENDATIONS

- Digital payment providers should improve security and user awareness to build trust.
- Consumers should be encouraged to use budgeting and expense-tracking features to control overspending.
- Policymakers should promote digital literacy and financial inclusion, especially in semi-urban and rural areas.

9. CONCLUSION

The study concludes that digital payments have significantly influenced consumer spending behavior by increasing convenience and ease of transactions. While they encourage higher spending and impulsive purchases, they also help consumers track expenses and

manage finances. Digital payments have promoted financial inclusion, but concerns related to security and overspending still remain.

10. LIMITATIONS OF THE STUDY

1. The study is limited to consumers who actively use digital payment systems, excluding cash- only users.
2. Responses are based on self-reported data, which may introduce bias or inaccuracies.
3. The sample primarily covers urban and semi-urban areas, limiting generalization to rural populations.
4. Time and resource constraints may restrict the depth of analysis and exploration of all influencing factors.

11. SCOPE FOR FUTURE RESEARCH

The scope of this study is limited to Indian consumers who use digital payment methods. It mainly focuses on urban and semi-urban areas, while also considering insights from rural users. The study examines behavioral, psychological, and demographic factors influencing consumer spending and covers digital payment modes such as UPI apps, mobile wallets, credit and debit cards, and online banking. It also analyzes the impact of promotional offers and cashback schemes on spending behavior, while excluding macroeconomic factors like GDP, inflation, and business-level financial performance.

12. REFERENCES

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