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From Wallets to Wallet Apps: How the Cashless Economy Reshapes Millennial Spending and Saving Patterns

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ABSTRACT:

The shift from cash to cashless economy has transformed money habits in Indian millennials, particularly in semi-urban and urban enclaves like Dakshina Kannada. With the general acceptance of digital wallets, UPI systems, and contactless mode of payments, spending habits have become more liquid and impulsive, and saving habits are being influenced increasingly through app-based financial products. The current study examines the impact of cashless change on millennials' consumption and savings behavior in Dakshina Kannada. Drawing on primary data collected from 120 structured questionnaires of individuals between the ages of 20–35 years, the study presents important drivers of financial choice change. The main findings indicate increasing convenience in spending and deterioration in saving discipline, and the psychological effect of payment by electronic means on financial planning.

Keywords: Cashless economy, digital wallets, millennials' behavior, expenditure patterns, savings habit, Dakshina Kannada.

1. INTRODUCTION

The Indian economy is going through rapid digitalization, and the banking sector is spearheading this movement. Modes such as UPI, Bharat QR, Google Pay, and PhonePe have popularized cashless transactions among millennials. The generation growing up through tremendous technological expansion considers cashless payment services handy. Consequently, they have changed their spending habits. Millennials are saving more frequently and spending in unconventional ways. They often opt for financial planning apps rather than conventional means such as regular deposits or fixed deposits. Although urban cities in India were the initial adopters of this cashless model, districts like Dakshina Kannada, which are a mix of urban and semi-urban peoples, offer a special chance to understand the behavioral impact of this transition. This research seeks to establish whether the convenience of digital payments enables overspending or aids better financial management through app-based mechanisms.

1.1 OBJECTIVES OF THE STUDY

1. To compare spending patterns of millennials in a cashless versus cash economy.
2. To examine the influence of cashless tools on millennials' savings habits.
3. To identify psychological and behavioral changes triggered by digital payment systems.
4. To evaluate awareness and use of budgeting/saving apps among millennials.
5. To provide suggestions for balanced financial behavior in a digital economy.

1.2 PROBLEM STATEMENT

Even though cashless systems are efficient and convenient, there are worries about their long-term impact on financial discipline. As transactions become easier, millennials might be more likely to make impulsive purchases and save less. This study aims to explore: How does the change from cash to cashless transactions affect millennial financial behavior in Dakshina Kannada?

1.3 HYPOTHESIS OF THE STUDY

H₀ (Null Hypothesis): There is no significant difference in spending or saving behavior between millennials using cash and those using digital payment modes.

H₁ (Alternative Hypothesis): There is a significant change in spending and saving behavior among millennials due to the adoption of cashless payment systems.

1.4 SCOPE OF THE STUDY

This study is limited to the district of Dakshina Kannada, focusing on millennials aged 20 to 35. It looks at how personal finance behavior has changed due to the use of cashless methods, such as UPI, mobile wallets, and digital banking apps. The study compares current habits with remembered past behavior during times when cash was more common.

1.5 RESEARCH METHODOLOGY

- **Type of Research:** Descriptive and analytical
- **Data Sources:**
 - **Primary Data:** Structured questionnaire (Google Forms & offline)
 - **Secondary Data:** Journals, reports, RBI data, NITI Aayog publications
- **Sample Size:** 120 millennials (Dakshina Kannada)
- **Sampling Method:** Random sampling
- **Tools for Analysis:** Percentage analysis

1.6 LIMITATIONS OF THE STUDY

- The study focuses only on millennials in Dakshina Kannada, and findings may not be generalized nationally.
- Self-reported data may include bias or inaccurate recall.
- Does not account for income level variations or macroeconomic influences.

2. LITERATURE REVIEW

The emergence of the cashless economy has not gone unnoticed among scholars across fields ranging from behavioral economics, financial technology, to youth consumer psychology. Findings across research repeatedly demonstrate that adopting digital payments over cash fundamentally changes spending patterns and saving behavior, particularly in digital natives such as millennials.

Behavioral Impact of Digital Payments:

As stated by Soman (2001), the physical separation of cash inflicts a "pain of paying," discouraging spontaneity in buying. Cashless payment, on the other hand, particularly tap-and-go or mobile payments, diminishes this psychological constraint, spurring more frequent and emotionally unattached purchases. This was supported by Prelec and Loewenstein (1998) as they observed that delayed payment or intangible payments lower the cognitive burden of budgeting.

Millennial Attitudes Toward Money:

Millennials have also been observed to value convenience, speed, and user experience over conventional financial sense. Indian millennials, as per EY Global (2019), have a high affinity for fintech platforms but lack financial planning in the long run because of excessive dependence on instant gratification-driven consumerism. Muralidharan and Shah (2021) observed that such populations equate money management with lifestyle freedom, not discipline, and hence are specially prone to digital wallet-enabled spending temptations.

Fintech and Savings Behavior:

Although cashless tools facilitate spending, they also have inbuilt mechanisms of saving. Research by Chakraborty and Mehrotra (2020) noted that millennials who used finance apps with micro-saving functionalities (such as auto-rounding transactions into a savings account) were more likely to achieve short-term savings objectives. Yet, such instruments were used less because of low awareness or suspicion of digital security.

Impact in Semi-Urban Areas:

Studies by RBI (2022) and NITI Aayog (2023) indicate that Tier 3 and Tier 2 cities such as Dakshina Kannada have experienced rapid digital up-take after Demonetization and the COVID-19 pandemic. Yet, money behavior in these cities remains dual in nature: on one hand, tech-savviness and, on the other hand, values around conventional money management. This dual nature poses special challenges for sustainability of savings.

Cultural and Psychological Dimensions:

The transition to cashless systems impacts not only habits but also identity and lifestyle. Belk (2013) discusses how consumption in the digital world helps inform self-expression. Millennials leverage spending—especially digital, visible, and socially shared spending—to convey status and identity. Sunstein (2020) also proposes that nudges built into digital finance apps (such as budget warnings or savings reminders) can shape behavior when presented in the right frame.

Summary of Gaps Identified:

Whereas the international literature has strong evidence of correlations between digital payment adoption and behavioral change, research at the regional level (such as Dakshina Kannada) is sparse. Existing studies are based on an urban context, missing localized socio-cultural factors like household influence, predictability of income, and app literacy. This research fills that lacuna by presenting micro-level observations on millennial financial behavior in a semi-urban coastal region of India.

3. DATA ANALYSIS (Selected Tables and Interpretation)

Table 1: Preferred Mode of Payment

Payment Method	Respondents	Percentage
UPI/Wallets	85	70.83%
Debit/Credit Card	23	19.17%
Cash	12	10.00%
Interpretation: Most millennials prefer UPI or mobile wallets for everyday transactions.		

Table 2: Has the ease of cashless payments increased spending

Response	Respondents	Percentage
Yes	72	60.00%
No	35	29.17%
Unsure	13	10.83%
Interpretation: 60% acknowledge that ease of use leads to more frequent spending.		

Table 3: Frequency of Using Budgeting Apps

Frequency	Respondents	Percentage
Regularly	18	15.00%
Occasionally	44	36.67%
Rarely	33	27.50%
Never	25	20.83%
Interpretation: Only 15% use budgeting apps regularly—indicating potential for improved financial awareness.		

Table 4: Savings Rate (Pre vs Post Cashless Transition)

Range of Savings (% of income)	Pre-Cashless	Post-Cashless
>30%	23	15
20–30%	31	22
10–20%	38	48

Range of Savings (% of income)	Pre-Cashless	Post-Cashless
<10%	28	35
Interpretation: Post-cashless transition shows a drop in high savings rates.		

Table 5: Impulse Purchases After Going Cashless

Frequency of Impulse Purchases	Respondents	Percentage
Increased significantly	42	35.00%
Increased slightly	39	32.50%
No change	26	21.67%
Decreased	13	10.83%

Interpretation: A combined 67.5% of respondents reported an increase in impulse buying after adopting digital payment methods, suggesting reduced friction in spending.

Table 6: Awareness and Use of Auto-Saving Features in Digital Finance Apps

Awareness/Usage Level	Respondents	Percentage
Aware and actively use	21	17.50%
Aware but do not use	47	39.17%
Not aware of such features	52	43.33%

Interpretation: Despite increasing reliance on digital apps, only 17.5% of millennials are actively using auto-saving features—indicating untapped potential for improving savings behavior via fintech.

4. FINDINGS, SUGGESTIONS and CONCLUSION

4.1 FINDINGS

- Most millennials opt for UPI-based payments over cash or card transactions.
- 60% of the respondents admit that the ease of cashless payments has made them spend more frequently, which translates to less spending friction.
- There has been a rise in impulse spending among millennials, with 67.5% showing more frequent spontaneous purchases since adopting cashless channels.
- High saving rates after transition to digital payments significantly fall; higher numbers of respondents now save less than 20% of their earnings.
- Although millennials are digitally adept, just 15% use budgeting apps frequently, indicating a disconnect between digital adoption and frugality.
- Automated saving options in online finance apps are not extensively used: 43.33% do not know that their apps have such options, and only 17.5% make regular use of them.
- Saving and budgeting tools are lagging behind adoption of digital spending tools, identifying a necessity for financial literacy and improved app integration.
- Dakshina Kannada millennials indicate favorable acceptance of convenience but reveal inadequate habits of structured financial planning, highlighting the dual effect of a cashless economy on behavior.

According to the survey results and statistical data:

- Most of the respondents indicated rising spending frequency and impulse buying after going digital.
- There was a quantifiable decline in savings rates, and most respondents never make use of or are uninformed about money planning tools that can be found in digital applications.
- These changes in behavior signal a fundamental change in financial conduct that is equivalent to the cashless shift.

Thus, we accept the alternative hypothesis and reject the null hypothesis. The study establishes that adoption of cashless systems has strongly impacted millennials' spending and saving habits in Dakshina Kannada.

4.2 SUGGESTIONS

1. **Financial Literacy Campaigns:** Financial institutions and fintechs need to launch region-specific workshops on saving techniques in a cashless economy.
2. **Gamified Saving Apps:** Rewarding frequent use of saving tools with incentives can enforce discipline.
3. **At-app Nudges:** Wallet applications must have built-in savings cues or spending cap reminders.
4. **Digital Hygiene Education:** Consumers need to learn digital overspending threats and privacy issues.
5. **Policy Recommendation:** RBI can motivate banks to introduce micro-savings functionalities in UPI channels.

4.3 CONCLUSION

The shift from a cash economy to a cashless economy has unquestionably remapped the spending and saving cultures of millennials, especially in developing urban areas such as Dakshina Kannada. The research for this book aimed to investigate how the increase in digital payment systems and money management applications has impacted the expenditure and saving culture among young consumers, and the findings are revealing.

The findings show that cashless convenience has resulted in higher frequency of spending and a significant increase in impulse buys, validating the behavioural economics theory that frictionless payments lower the "pain of paying." In addition, despite availability of digital utilities like budget and save apps, their usage remains low, reflecting the disparity between access and self-control of money. The convenience of online payments has not been joined by a corresponding increase in systematic financial planning or saving pledge, indicating that the advantages of an e-payments system are not being used fully for long-term financial welfare.

In addition, psychological separation from cash in digital forms has affected saving habits adversely. The research indicates that savers with high percentages have fallen since the transition period, and a majority of respondents do not know or do not use automatic savings options in apps. This means that millennials are willing to adopt technology for consumption but are not yet leveraging its power to make them stick to financial discipline.

From the socio-economic perspective, Dakshina Kannada district is a microcosm of India's emerging digital economy—highlighted by digital passion but still lacking in financial literacy and app-consciousness. Interventions like financial education schemes, app-integrated nudges, and regulatory intervention to promote transparency of digital expenditure could well nudge this population towards a healthier financial future.

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