



## Impact of Digital Payments on Consumer Spending Habits

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### ABSTRACT :

This study explores how digital payments influence consumer spending behavior in India, particularly through UPI and mobile-based platforms. It investigates impulse purchases, budgeting habits, and spending frequency across demographic groups. Primary data was collected using a structured questionnaire and interviews. Findings indicate digital payments increase spending frequency, ease impulse purchases, and influence budgeting discipline, particularly among youth and urban users. While promoting financial inclusion, digital payments also reshape financial habits, necessitating awareness and policy-level interventions.

### 1. Introduction

The rise of digital payment platforms such as UPI, Google Pay, and PhonePe has revolutionized financial transactions in India. With 84% of all digital transactions in 2022 done via UPI, its influence extends beyond convenience—impacting how individuals spend and manage money. The study aims to analyze the psychological and behavioral effects of digital payment tools on consumer behavior, particularly on spending habits, budgeting, and impulse purchases.

### 2. Literature Review

Prior studies (Raghubir & Srivastava, 2008; Soman, 2003) indicate that reduced payment friction in digital modes encourages higher spending and weakens financial discipline. Deloitte (2021) found that only digitally literate users effectively use tracking features. RBI (2022) and NPCI (2023) data highlight massive growth in UPI usage, especially among urban youth. However, existing literature lacks in-depth exploration of micro-level behavioral changes across demographics, which this study addresses.

### 3. Research Methodology

Design: Descriptive research

Sampling: Non-probability (convenience sampling)

Tools: Structured questionnaire (Sections A–C), interviews

Sample Size: 100+ respondents across urban, semi-urban, and rural locations

Analysis: Quantitative (percentages, frequency), Qualitative (thematic insights)

### 4. Results and Data Analysis

#### 4.1 Demographic Profile

Age: 60% aged 18–35

Gender: 54% Male, 46% Female

Occupation: 40% Students, 30% Professionals, 15% Business owners

Income: Majority in ₹10,000–₹50,000/month

Location: 65% Urban, 20% Semi-urban, 15% Rural

#### 4.2 Digital Payment Usage

Platform	Users (%)
UPI	80
Google Pay	75
PhonePe	60

Paytm

40

Frequency: 55% use digital payments daily

Usage Areas: Grocery/Shopping (40%), Online Shopping (25%), Food Delivery (15%)

Preferred Reasons: Convenience, Speed, Cashback, Record Keeping

#### 4.3 Behavioral Impact

Increased Spending: 68% agree

Impulse Purchases: 60% report ease of impulsive buying

Budgeting Difficulty: 40% feel budgeting has become harder

Cashback Effect: 72% admitted spending more due to offers

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### 5. Discussion

Digital payments, while fostering efficiency, have altered consumer psychology. Features like instant payments, minimal friction, and promotional incentives lead to overspending, especially among young and urban consumers. While some users benefit from transaction records for budgeting, many ignore these tools. Demographics play a critical role—students and low-income groups exhibit higher impulsive behavior compared to professionals.

This shift presents both opportunities and challenges for financial literacy, especially among semi-urban and rural adopters where UPI usage is rising but awareness is lacking.

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### 6. SWOT and PESTLE Summary

Strengths: Speed, convenience, financial inclusion

Weaknesses: Tech dependency, risk of cyber fraud

Opportunities: Expansion in rural areas, e-commerce integration

Threats: Cybersecurity, digital illiteracy

#### PESTLE Factors:

Political: Digital India initiatives

Economic: Boost to transaction volumes

Social: Youth adoption, elder exclusion

Technological: Mobile-first economy

Legal: Data protection laws

Environmental: Paperless, low footprint

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### 7. Conclusion

Digital payments are transforming financial behavior in India, offering convenience at the cost of increased spending and weakened budgeting for some users. UPI's role is central, influencing both consumer habits and financial inclusion. However, the technology must be paired with financial education to avoid negative consequences.

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### 8. Limitations

Convenience sampling limits generalizability

Self-reported data may involve biases

Limited time and geographic coverage

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### 9. Recommendations

#### For Consumers:

- Use tracking tools for budgeting
- Avoid reward-driven overspending

#### For Businesses:

- Promote responsible spending offers
- Improve digital security and transparency

**For Policymakers:**

- Enhance financial literacy campaigns
- Ensure inclusive digital access

**Future Research:**

- Longitudinal studies on behavioral shifts
- Comparative analysis across professions and income groups

**10. REFERENCES**

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