



The Influence of Cashback and Reward Programs on Consumer Payment Preferences

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ABSTRACT

Cashback and reward schemes have become routine in India's payment ecosystem, yet it remains to be seen how much influence they have on the choice of cash, cards and application-based UPI technology. Using primary data collected from 50 digital payment users in India (collected 15-30 September 2026 in a structured online questionnaire), this paper investigates the effect of reward schemes on the payment preferences of Indian consumers. An index of reward influence was constructed from eight five-point scales ($\alpha = 0.93$) and the relationship between the index of influence, three other measured variables and the switch, loyalty, gender and primary payment method were tested with non-parametric procedures.

The young, highly student-centred sample (88 per cent 18-25 years old; 92 per cent students) used a UPI application as their primary payment method (76 per cent).

Respondents reported a moderate mean reward influence (3.18/5, 95 per cent confidence interval 2.86-3.49) that was not significantly different from the middle point of the scale ($p = 0.265$). Only ease of redemption was significantly above middle point (3.54/5). Reward sensitivity was positively related to the respondents' rating of the stated intention to switch if the reward was withdrawn (Spearman's $\rho = 0.45$, $p = 0.001$), but not to self-rated loyalty, gender or primary payment method, with 34 per cent respondent trait similarity. It concludes that incentives are conditional and sensitive rather than universal and recommends pairing simple, reliable rewards with trust and service quality.

Because the sample is small, non-random and student-centred, the results are to be seen as indicative rather than statistically generalisable.

Key words: Cashback; Reward programmes; Payment preferences; Digital payments; UPI; Consumer behaviour; Switching intention

1. Introduction of the Study

1.1 Background

In the last ten years, India has transitioned from mostly cash to being a place where smartphones and bank accounts are all that are needed for most of day-to-day payments. Growing smartphone ownership, lower mobile data costs and the adoption of the Unified Payments Interface (UPI) have created several ways to pay: cash, debit and credit cards, prepaid wallets and UPI.

Since these products are heavily substitutable at the terminal, firms do not have much room to compete on other terms than convenience, safety and incentives. In that sense, cashback, scratch cards, reward points and merchant-affiliated discounts have become the most tangible instruments in their effort to secure first-time use and subsequent repeat consumption. A reward affects the net return of a transaction and can thus influence consumer preferences.

Behavioural reasons for this claim are that the attractiveness of a reward is influenced not just by their rupees and are led to behavioural factors such as perceived gain, mental accounting and loss aversion (Patel 2026), to explain why a seemingly small refund can be alluring or Shakyia 2022, who, under the influence of technology acceptance thinking, claims that incentives such as reward programmes increase perceived usefulness of a payment app. Whether these incentives foster a long-term complacent or opportunistic use of the product/ service is a significant concern to payment providers, banks and policymakers. This study explores the effect of cashback and reward programmes on consumers' utilitarian attitudes towards payments.

1.2 Review of Related Literature

Choose and motivation for platform. Zehra et al. (2024) examined respondents' perceptions of convenience, trust (security) and rewards across five payment platforms in India among 1,000 respondents. They showed that platforms varied in terms of perceptions of convenience and trust, that

convenience and trust were positively associated ($r = 0.75$), and that the perceptions of rewards were positively related to respondent willingness to recommend the platform ($r = 0.68$). They interpret that perceptions of convenience, trust and rewards function conjointly in the adoption and advocacy processes, which this study adopts as its main conceptual framework.

Cashback and purchase behaviour. A survey of 52 users of payment apps by Rupwate (no date) found that 44.2 per cent felt cashback influenced the app they used, 65.4 per cent reported it led to higher spending, and 57.7 per cent were likely to compare offers between apps and change apps if a better one existed. This research also noted that evidence shows cashback can lead to impulse purchases on a wallet platform (Yoma & Desiyanti, 2023, as cited in Rupwate, no date). In the same set of users, Patel (2026) found that most respondents saw cashback simply as a way of saving money (52 per cent), fewer associated it with trying a new platform (28 per cent) or impulse purchases (11 per cent). Most respondents preferred cashback directly to a bank account (42 per cent) rather than to a wallet (33 per cent) and the paper points to less attractive offers if claimed slowly or with difficulty.

Reward programme design. Banerji and Farooqi (n.d.) analyzed credit card reward programmes among 118 valid responses from people living in the National Capital Region. Based on five value dimensions developed by O'Brien and Jones (1995, as cited in Banerji & Farooqi, n.d.) they identified a five-factor structure accounting for 68.2 per cent of the variance in the data with convenience as the dominant dimension (19.28 per cent) and the item easy transfer and redemption of points received the highest mean score (4.26). They also comment that credit card holders frequently use just one card in order to accumulate worthwhile reward points.

Loyalty and incentives. Shakya (2022), who used a survey of 150 e-wallet users, plus interviews, introduces the concept of an 'incentive dependency paradox': "incentives attract customers and bring them to the platform, it also brings them to short-term, transaction-based loyalty, which disappears once the incentive is withdrawn." In that report, trust, simple processes and uninterrupted quality of service will influence if incentive-driven users develop real loyalty. Rupwate (n.d.) echoes this argument, by suggesting that extreme dependence on incentives could damage emotional ties to one single app.

Put together, the five studies found: Incentives are important. Ease of redemption and trust influence how the incentives work. Incentives generate loyalty, but that loyalty can be conditional. The studies did vary in terms of the instrument (credit cards, wallets, ecommerce and UPI platform), sample size and sophistication of analysis. This paper fills the gap below.

2. Research Gap

Four issues seem clear from the papers examined. First, a majority of research is associated with one medium: cash, credit card (Banerji & Farooqi, n.d.), e-wallet (Shakya, 2022), online shopping (Patel, 2026) or a comparison of UPI applications (Zehra et al., 2024). Very few compare cash, credit cards and UPI as alternative options and raise the question of how do different incentives sway their usage.

Second, outcomes are generally purchase frequency, expenditure and satisfaction. Relative to the same-subjects group, choice of payment method and intention to defect when rewards are discontinued are less-directly quantified Third, all but the largest studies employ mostly descriptive percentages (Patel, 2026; Rupwate, n.d.). A single index of reward-sensitivity, examined with inferential statistics, is rare. Fourth, variously a large sample of young people and undergraduates – that is, not all those who fall within a treat but work - small, low and irregular income, still-influencing habits are presented as the primary target.

In the current study these issues were tackled by adopting a composite reward effectiveness index to capture the reward effect in payment-method selection, examining its effect on switching intention, and its relationship with respondent characteristics for a sample of young Internet-users.

3. Objectives of the Study

1. To profile the respondents and their payment-usage behaviour.
2. To gauge the degree to which cashback and reward schemes impact the selection of payment method.
3. To determine what influences different aspects of the reward programme (the amount of cashback received, redeeming methods, loyalty points) the most.
4. To test the association of reward sensitivity with intention to switch payment method when rewards are withdrawn, and with self-rated loyalty.
5. To investigate the extent to which reward influence might vary with the gender of the individual and whether the subject of the study was paid by the hour or by commission.
6. To make applicable recommendations for payment providers and regulators.

4. Hypotheses of the Study

The hypotheses are formulated in null (H_0) and alternative (H_1) form and tested at the 5 per cent level of significance.

H_{01} : The mean Reward Influence Index is equal to the neutral scale middle (3.00).

H11: The popularisation of cashback and reward programmes greatly impacts the mode of payment as selected by the consumers, i.e. the mean index is not 3.00.

H01: there is no difference between men and women on the Reward Influence Index.

H03: The Reward Influence Index and intention to change (Reward Loss).

H04: There is no correlation between the Reward Influence Index and self-rated loyalty to the most-used payment app/card.

H05: The group of respondents who use UPI apps more frequently will have no differences in Reward Influence Index with the group of respondents who use cash or debit card more frequently.

H12 to H15 for H02 H05 The alternative hypothesis shows that the difference/relationship is significant.

5. Research Methodology

5.1 Research Design

Design of the Study This research implements a descriptive, cross-sectional and quantitative survey. Descriptive statistics constitute the profiling of respondents as well as their opinions while the hypotheses are tested through inferential tests.

5.2 Sample Design

Participants are people from the population who are making payments on a daily basis via cash, cards or UPI based applications. No sampling frame was available, so a non-probability convenience sampling approach was used: the questionnaire link was shared online and anyone wishing to participate was accepted as a participant. The sample size is 50 individuals. This distribution is populated mainly by young adults and students and should therefore be interpreted with caution.

5.3 Data Collection

Primary data were obtained via the questionnaire and online form received 15–30 September 2026. Secondary data were obtained from 5 published articles on cashback, reward programs and digital payments (Banerji & Farooqi, n.d.; Patel, 2026; Rupwate, n.d.; Shakya, 2022; Zehra et al., 2024) that informed the concept framework and the analysis of the output.

5.4 Questionnaire Preparation

The survey instrument includes 20 items across four sections (full text in Annexure I). Section A (items 1-5) asks demographic questions. Section B (items 6-10) asks about payment behaviour (best method, best app, frequency of use, duration of use, number of apps).

Section C (items 11-18) includes eight statements on the impact of cashback and rewards, presented on a five-point scale from 1, i.e.

I strongly disagree, to 5, i.e. I strongly agree. Section D (items 19-20) asks questions about switching likelihood if rewards were removed and the self-rated loyalty to a sole app or card. The items are based on the constructs appearing in the literature for the influence of cashback on choice (Rupwate, n.d.; Zehra et al., 2024), ease of redemption (Banerji & Farooqi, n.d.; Patel, 2026) and switching and loyalty (Rupwate, n.d.; Shakya, 2022).

5.5 Scoring and Tools of Analysis

Reward Influence Index (RII) was the mean of items 11-18 for each participant (range 1-5). Scores of less than 2.50 were interpreted as low, 2.50-3.50 as moderate and greater than 3.50 as high. Switching intention (item 19) was coded as 1 (definitely no) to 5 (definitely yes) and loyalty (item 20) as 1 (very low) to 5 (very high).

Analysis were performed in Python (pandas and SciPy libraries) with frequencies and percentages, mean and standard deviation, Cronbach's alpha, the one-sample t-test (supplemented by the Wilcoxon signed-rank test as a check of results), the Mann-Whitney U test (supplemented by a Welch's t-test as a check), Spearman's rank correlation and the Kruskal-Wallis and Friedman tests.

A rank-based analysis was chosen as the data are ordinal and some small sample sizes exist.

5.6 Reliability

8 Item index The Cronbach alpha for internal consistency was very high (0.927), with items correlating between 0.39 and 0.82. This high value may also suggest redundancy across the statements. Although one initial pilot study was not performed, for the sake of reliability, and also factor analysis, which presents a limitation.

5.7 Ethical Considerations

This was an optional survey. Per 9.14.22 ethics approval and through the removal of identifying information, including but not limited to e-mail addresses, on the date collected, only group data is presented.

6. Data Analysis

6.1 Profile of Respondents

Table 1: Demographic profile of respondents (n = 50)

Variable	Category	Number	Per cent
Age group			
	Below 18	2	4.0
	18–25	44	88.0
	26–35	4	8.0
Gender			
	Female	41	82.0
	Male	9	18.0
Occupation			
	Student	46	92.0
	Salaried employee	3	6.0
	Self-employed	1	2.0
Education			
	Bachelor's degree	33	66.0
	Master's degree	8	16.0
	High school	4	8.0
	Doctorate	4	8.0
	Diploma	1	2.0
Monthly income (₹)			
	Below 25,000	21	42.0
	25,000–50,000	4	8.0
	50,001–1,00,000	1	2.0
	1,00,001–2,00,000	1	2.0
	Not reported	23	46.0

Source: Primary data. Percentages may not sum exactly because of rounding.

The sample is young and mostly in education: 88 per cent are aged 18–25 and 92 per cent are students. Women account for 82 per cent of respondents. Nearly half (46 per cent) did not report an income, and among those who did, almost all earn below ₹25,000 per month.

6.2 Payment Usage Behaviour

Table 2: Payment usage profile of respondents (n = 50)

Variable	Category	Number	Per cent
Payment method used most often			
	UPI apps	38	76.0
	Cash	9	18.0
	Debit card	3	6.0
Digital payment app used most			
	PhonePe	38	76.0
	Google Pay	9	18.0
	BHIM UPI	2	4.0
	Paytm	1	2.0
Frequency of use			
	Daily	33	66.0
	Weekly	10	20.0
	Occasionally	5	10.0
	Rarely	2	4.0
Duration of use			
	Less than 6 months	10	20.0
	6 months – 1 year	3	6.0
	1–2 years	14	28.0
	2–4 years	14	28.0
	More than 4 years	9	18.0
Number of active apps			
	Only 1	26	52.0
	2	12	24.0
	3	6	12.0
	4	3	6.0
	5 or more	3	6.0

Source: Primary data.

Three-quarters of the respondents use a UPI application as their main method and PhonePe is the dominant app. Two-thirds use digital payment platforms daily, and about half use only one app, which suggests limited multi-app behaviour in this sample.

6.3 Influence of Cashback and Rewards: Item-wise Results

Table 3: Descriptive statistics of reward-influence items (n = 50)

Item	Mean	SD	Agree (4–5), %	Disagree (1–2), %
Q11 Cashback influences my choice of payment method	3.12	1.33	40.0	28.0
Q12 More likely to use an app/card that offers cashback	3.18	1.35	44.0	30.0
Q13 Reward and loyalty programmes make me prefer a method	3.12	1.33	44.0	30.0
Q14 A method is more attractive when rewards are easy to redeem	3.54	1.34	54.0	20.0
Q15 Size or percentage of cashback affects my choice	3.22	1.40	46.0	32.0
Q16 Prefer digital methods over cash mainly for rewards	3.04	1.37	36.0	34.0
Q17 Rewards have increased my overall use of digital payments	2.96	1.28	34.0	30.0
Q18 Would select the method offering the best rewards	3.22	1.37	38.0	26.0
Reward Influence Index (mean of Q11–Q18)	3.18	1.10	—	—

Source: Primary data. Scale: 1 = strongly disagree, 5 = strongly agree. Neutral responses (score 3) make up the remainder of each row.

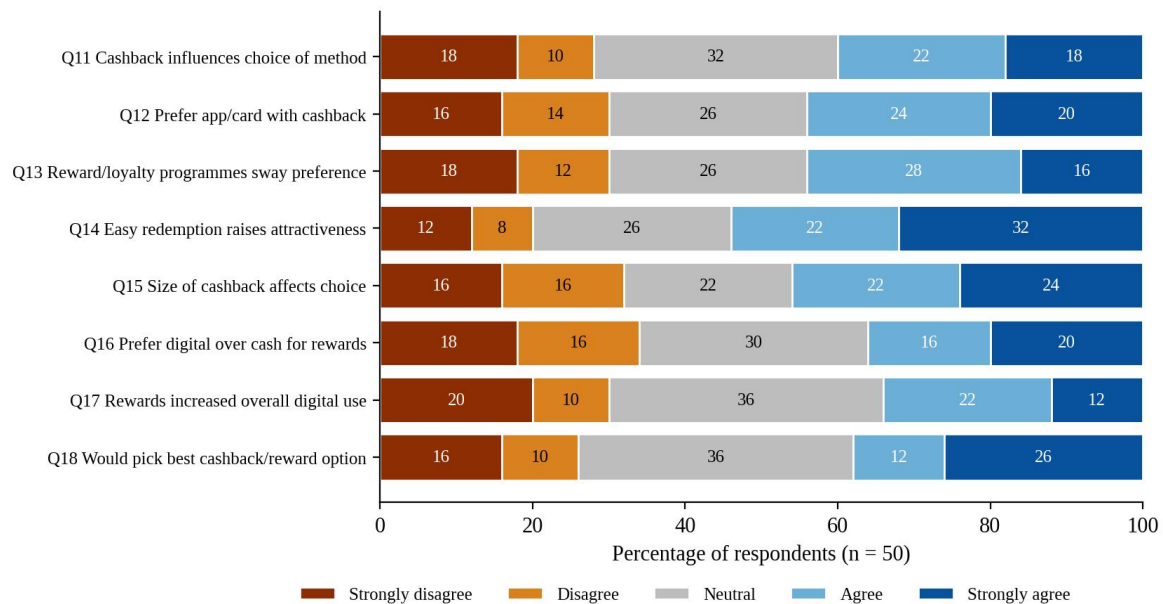


Figure 1: Distribution of responses to reward-influence items (per cent)

6.4 Switching Intention and Loyalty

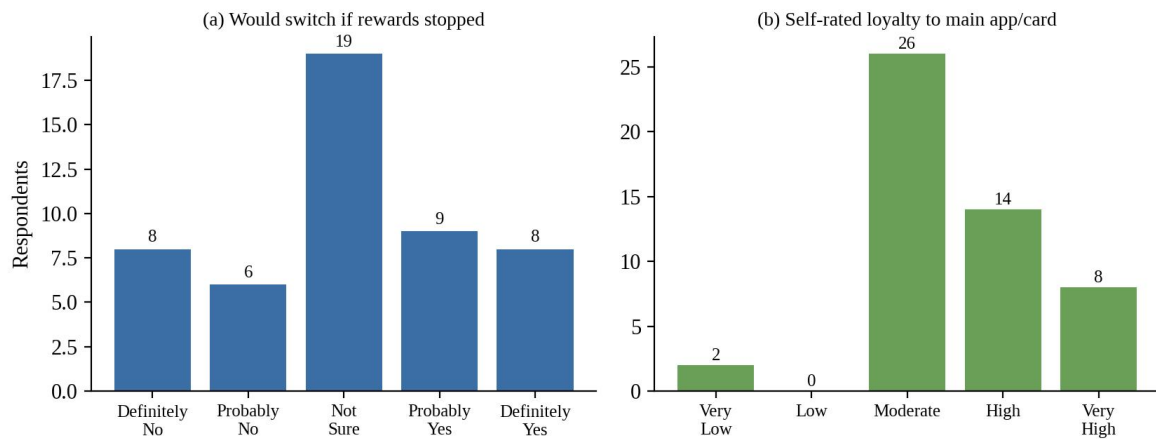


Figure 2: Switching intention and self-rated loyalty (number of respondents)

If their preferred app or card stopped offering cashback and rewards, 34 per cent of respondents would probably or definitely switch, 38 per cent were unsure and 28 per cent would probably or definitely stay (mean = 3.06, SD = 1.27). Self-rated loyalty was moderate to high: 52 per cent rated it moderate, 44 per cent high or very high and 4 per cent very low (mean = 3.52, SD = 0.91).

6.5 Hypothesis Testing

Table 4: Reward Influence Index by gender and by most-used payment method

Group	n	Mean RII	SD
Gender			
Male	9	2.90	—
Female	41	3.23	—
Most-used payment method			
UPI apps	38	3.29	1.10
Cash	9	2.79	1.08
Debit card	3	2.88	1.19
All respondents	50	3.18	1.10

Source: Primary data. RII = Reward Influence Index. Standard deviations for gender groups are not shown; the tests below use the full distribution.

Table 5: Summary of hypothesis tests

Hypothesis	Test	Result	Decision
H01: RII equals 3.00	One-sample t-test	$t(49) = 1.13$, $p = 0.265$; Cohen's $d = 0.16$; Wilcoxon $p = 0.227$	Fail to reject H01
H02: No gender difference	Mann-Whitney U	$U = 142.5$, $p = 0.294$; Welch $t(12.3) = -0.85$, $p = 0.411$	Fail to reject H02
H03: RII and switching intention unrelated	Spearman correlation	$\rho = 0.447$, $p = 0.001$; 95% CI 0.19 to 0.65	Reject H03

Hypothesis	Test	Result	Decision
H04: RII and loyalty unrelated	Spearman correlation	$\rho = 0.158, p = 0.272$	Fail to reject H04
H05: No difference across payment methods	Kruskal–Wallis	$H(2) = 1.17, p = 0.556$	Fail to reject H05

Source: Primary data; computed in Python (SciPy). Significance level 5 per cent, two-tailed.

Table 6: Mean Reward Influence Index by switching intention

Would switch if rewards stopped	n	Mean RII
Definitely no	8	1.42
Probably no	6	3.71
Not sure	19	3.29
Probably yes	9	3.40
Definitely yes	8	4.00

Source: Primary data.

Supplementary checks: Q14 (ease of redemption) was the only item significantly above the neutral midpoint ($t(49) = 2.84, p = 0.007$; Wilcoxon $p = 0.012$). A Friedman test indicated that the eight items did not differ significantly from one another at the 5 per cent level ($\chi^2(7) = 13.57, p = 0.059$). Because the Q14 comparison was made after inspecting the means, it should be treated as exploratory.

7. Interpretations

Overall influence (H01/H11). Item means (3.18) in the moderate influence band (section 4.4), and the 95% confidence interval for the mean (2.86-3.49) straddles the neutral score, so data do not support the hypothesis that rewards, on average, influence the payment preference in this sample. This is not equivalent to claiming rewards have no influence, as the number of people who agreed with each item was around twice that who disagreed, however. Ratings are similar to Rupwate (n.d.), whose sample averaged between 3.2 and 3.5 on cashback-related statements, but more modest than the strong negative correlation he reported with incentives in the total exam score for a much larger general population sample.

Convenience of redemption. The benefit most strongly agreed with was 'a method is more attractive if the rewards are easy to redeem' (mean 3.54; 54 per cent agreed). This confirms Banerji and Farooqi (n.d.), where ease of transferring and redeeming points was the most favoured factor, and convenience was the biggest factor and with Patel (2006), who found slow or complex redemption disrupts cashback. Consumers seem to prefer a lesser reward they are able to cash-in rather than a bigger reward that involves some effort.

Use and preference Rewards are said to increase usage of digital payments, and this item, was ranked lowest by respondents (2.96; 34 per cent agreed). Many in our sample use digital payments daily (two thirds), and the majority prefer UPI as their main digital payment method (76 per cent). The increased usage among them could be more out of habit and convenience than out of rewarded behaviour (this conclusion is provisional as we did not specifically ask about habit in our survey).

Switching intention (H03). Most readily apparent is the moderate positive correlation between reward sensitivity and willingness to switch in the absence of rewards ($\rho = 0.45, p = 0.001$). The comparison of respondents who said they would definitely stay (mean index of only 1.42) versus those who said they would definitely switch (4.00) likewise supports Shaky's (2022) attraction to incentives-based loyalty, and Rupwate's (n.d.) suggestion that people move on if they can find better services. The latter explanation does not necessarily imply a monotone relationship, since the six respondents who said "probably no" to switching show a high mean index.

Loyalty, gender and method of payment (H04, H02, H05). Self-rated loyalty to the peer's product was self-ratings to both service modes were high (although not statistically higher than zero ($\rho = 0.16, p = 0.272$)). Accordingly, for a known person's app it is possible for attitudinal loyalty (here self-rating) to coexist with a willingness to switch if the rewards dry up (as can happen with comfort/generic service or with free products), and I would not want to differentiate the two. Women were slightly more loyal to a known person's app than men (3.23 versus 2.90), but the difference was not significant. Similarly, use of UPI was associated with a higher self-rated loyalty (3.29 versus 2.79) than payment via cash, but again this was not statistically significant, and the test had low power with 9 respondents of each payment method.

8. Findings, Suggestions and Conclusion

8.1 Findings

1. The sample is young and student-dominated: 88 per cent are aged 18–25, 92 per cent are students and 82 per cent are women.
2. UPI applications are the main payment method for 76 per cent of respondents, and PhonePe is the most-used app (76 per cent). Two-thirds use digital payments daily.
3. Overall reward influence is moderate (index mean = 3.18 of 5) and not significantly different from neutral ($p = 0.265$); opinion is divided, with 34 to 54 per cent agreeing with individual reward statements.
4. Ease of redemption is the most highly rated aspect of reward programmes (mean = 3.54; 54 per cent agreement) and the only item significantly above neutral.
5. Rewards are least associated with an increase in overall digital payment use (mean = 2.96), suggesting that habit and convenience carry much of everyday usage.
6. Reward sensitivity is positively related to the intention to switch if rewards are withdrawn ($\rho = 0.45$, $p = 0.001$); 34 per cent would probably or definitely switch and 38 per cent are unsure.
7. Self-rated loyalty is moderate to high (mean = 3.52) but is not significantly related to reward sensitivity.
8. No significant difference in reward influence was found by gender or by most-used payment method, although group sizes were small.

8.2 Suggestions

1. Payment providers should make redemption immediate and uncomplicated, for example by crediting cashback instantly to the linked bank account or wallet, and by stating minimum-spend conditions and expiry dates clearly.
2. Because reward-sensitive users are also the more likely to switch, providers should avoid competing solely on the size of cashback. Reliable service, transaction security and a smooth interface give users reasons to stay once an offer ends (Shakya, 2022; Zehra et al., 2024).
3. Tiered, personalised or milestone-based rewards may suit young users with modest and irregular incomes better than uniform offers, because they reward continued use rather than one-off transactions.
4. Regulators and industry bodies may encourage standard disclosure of reward terms so that consumers can compare the net value of different payment methods.
5. Consumers should judge a reward by what it is actually worth after conditions and delays, and should avoid spending more simply to qualify for an offer.
6. Banks and card issuers may use the redemption-ease finding to simplify point transfer and redemption processes in their own programmes (Banerji & Farooqi, n.d.).

8.3 Limitations and Scope for Further Research

The study rests on 50 responses collected by convenience sampling, so statistical power is limited and the results cannot be generalised to all Indian payment users. The sample is dominated by students and by women, nearly half of the respondents did not report income, and all measures are self-reported at a single point in time. The very high internal consistency of the index may reflect overlapping items, no pilot test or factor analysis was carried out, and several tests were run on the same data, so isolated significant results should be treated with caution. Future work could use a larger, probability-based and more demographically balanced sample, include trust, security and ease-of-use as mediating or moderating variables, compare specific providers, and track behaviour before and after a reward is withdrawn.

8.4 Conclusion

This study set out to examine how cashback and reward programmes influence consumer payment preferences. Among 50 largely young and student respondents, the overall influence of rewards was moderate and not statistically different from neutral, and the strongest consideration was how easily a reward can be redeemed. At the same time, those who were more responsive to rewards were significantly more willing to switch when rewards stopped, even though they described themselves as fairly loyal. Rewards therefore appear to work as a conditional lever that attracts and holds attention only while the benefit remains visible and easy to claim. Providers who combine simple, dependable rewards with trust, security and service quality are better placed to turn incentive-led users into lasting ones. Given the small and specialised sample, these conclusions are indicative and call for confirmation in larger and more varied studies.

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