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The Impact of Digital Payment Platforms on Spending Habits

Shreya Jakati

PGDM23042 Student Dayananda Sagar Business School, Kumaraswamy Layout, Bengaluru, 560111, shreya@dsbs.edu.in

Yeshwanth T N

PGDM23059 Student Dayananda Sagar Business School, Kumaraswamy Layout, Bengaluru, 560111, yeshwanth5206@gmail.com

Dr. Parul Tandan

Associate Professor Dayananda Sagar Business School, Kumaraswamy Layout, Bengaluru, 560111, parul@dsbs.edu.in

Abstract

This study explores the impact of digital payment platforms, such as UPI, mobile wallets, and contactless payments, on consumer spending habits in India. Digital payments have significantly influenced consumer behaviour by offering unparalleled convenience, speed, and financial tracking features. While these systems promote financial accessibility and inclusion, they also encourage higher impulse purchases and overspending due to the reduced tangibility of digital transactions. The research incorporates quantitative methods, analysing responses from 53 participants, to examine how factors like cashback offers, rewards, and ease of use shape financial habits. The findings reveal both positive outcomes, such as enhanced financial tracking, and challenges, including security concerns and the potential for overspending. Recommendations are proposed for consumers, businesses, financial institutions, and policymakers to foster responsible use of digital payment systems while leveraging their advantages.

Keywords: Digital payments, Consumer spending, UPI (Unified Payments Interface), Financial behaviour, Impulse buying, Cashback and rewards, Mobile wallets

Introduction

In recent years, the evolution of technology has significantly transformed the way people manage financial transactions. Digital payment platforms, once considered a luxury for the tech-savvy, have now become a cornerstone of economic activities. These platforms, such as UPI (Unified Payments Interface), mobile wallets, and contactless cards, offer unparalleled convenience, speed, and accessibility. India, being at the forefront of this digital payment revolution, has witnessed a rapid shift from cash-based transactions to cashless ecosystems. This transition is not just a technological advancement but a profound behavioural change in consumer spending habits. Digital payments eliminate the tangible experience of handling money, introducing a new psychological dimension to financial management. The ease of transactions, coupled with incentives like cashback and reward programs, has redefined the consumer's relationship with money. This study aims to delve into the impact of digital payment platforms on consumer spending habits, exploring whether they lead to better financial management or encourage impulsive buying. It will further examine the role of digital

payments in fostering financial inclusion, their psychological implications, and the challenges they pose to consumers and policymakers alike.

Research Problem

- Do digital payments lead to increased spending due to convenience?
- How do consumers perceive digital transactions compared to cash payments?
- Do digital payments encourage impulsive buying or financial discipline?
- How do users track and manage their digital transactions?

Research Objectives

- To examine how digital payment platforms influence consumer spending habits.
- To analyse whether digital payments lead to increased or controlled spending.
- To explore the psychological effects of cashless transactions on financial decision-making.
- To identify challenges such as transaction failures, cybersecurity risks, and privacy concerns.

Significance of research:

The research on "The Impact of Digital Payment Platforms on Spending Habits" is significant as it enhances consumer financial awareness, aids businesses in optimizing marketing strategies, and guides fintech companies in improving tools for secure and responsible transactions. It also helps policymakers address security and literacy gaps, supports technological advancements for better budgeting, and fosters sustainable financial practices in a cashless economy.

Literature review

(Dr.G. Bhoopathy, 2023), in the study The Impact of Digital Payments on Consumer Spending Habits published in the journal, Journal of Propulsion Technology The convenience and ease of use of digital payments can lead to more impulsive spending by consumers. The real-time tracking and management features of digital payment platforms can improve financial awareness and encourage more responsible spending. The impact of digital payments on spending habits can vary depending on demographic factors like income, with higher-income individuals finding digital payments more convenient.

(B. Kurniawan, 2019), in the paper, The influence of digital payments on public spending patterns, Journal of Physics: Conference Series, Digital payments have influenced public spending patterns, making transactions easier and leading to increased use of e-money. Many people have shifted from shopping at physical retail stores to shopping online through e-

commerce platforms due to the convenience of digital payments. The availability of various digital payment options, such as ATM cards and e-wallets, has contributed to the changing patterns of public spending.

(Gupta & Sharma, 2023), ShodhKosh Journal: This study explores how digital payment systems have transformed consumer spending behaviour in India. It highlights that increased convenience and accessibility have led to higher spending, with a shift from cash-based transactions to digital payments.

(Theresia ,2023), ResearchGate: The research discusses the role of digital payments in shaping public spending patterns. It finds that digital platforms encourage seamless transactions, influencing impulse buying and altering traditional budgeting habits.

IJSREM (2024), International Journal of Scientific Research and Engineering Management. This study finds that digital payments have significantly influenced consumer purchasing behaviour, particularly in urban areas. It notes that increased transaction speed and security have encouraged people to adopt cashless transactions.

Kumar (2024), ResearchGate: Kumar's research focuses on the relationship between digital payment convenience and financial discipline. The findings indicate that while digital transactions offer flexibility, they often lead to decreased spending awareness.

Ling (2024), IJSRED Journal: The study highlights the growing trend of digital wallets among young consumers. It points out that easy access to credit and instalment payment options contribute to impulsive and unplanned spending.

Ramaswamy & Nair (2023), Journal of Consumer Research: This study examines the psychological impact of digital transactions. It finds that consumers perceive digital payments as "less real" than cash, leading to a higher tendency for overspending.

Sarma & Singh (2024), International Journal of Digital Economy: The research focuses on the role of mobile payment apps in reshaping financial behaviour. It notes that features like cashback, rewards, and personalized offers drive users to make more frequent transactions.

Smith & Brown (2023), Journal of Retailing and Consumer Services: This paper investigates the effect of contactless payment systems on consumer spending habits. It finds that customers using tap-and-go payment options tend to spend more per transaction compared to cash users.

Research Design

This study is designed as a quantitative research project, focusing on how digital payment platforms influence consumer spending habits. The research is based on primary data collection using a survey method, where individuals who use digital payments regularly were asked about their spending behaviour, financial management, and security concerns. A structured questionnaire gathered data from digital payment users, analysed using charts and statistical tools to identify spending trends.

Data Collection Method

The study collected primary data through a structured survey, yielding 53 valid responses. The questionnaire was distributed via online forms, personal/professional networks, and social media to reach diverse participants. A simple

random sampling method ensured fairness and balanced representation of digital payment users. This approach captured varied perspectives, providing reliable insights into consumer spending habits and behaviours.

Sample Details

The study included 53 respondents selected through simple random sampling. The target audience comprised individuals actively using digital payments, representing diverse income levels, age groups, and payment methods (UPI, mobile wallets, credit/debit cards, and net banking). Participants included students, working professionals, and business owners. This diverse sample captured perspectives from both frequent spenders and careful budgeters, ensuring a balanced understanding of how digital payments influence spending habits.

Results:

Formulation of Hypothesis

- Null Hypothesis (H_0): There is no significant difference in impulse buying behaviour between frequent and rare users of digital payment platforms.
- Alternative Hypothesis (H_1): There is a significant difference in impulse buying behaviour between frequent and rare users of digital payment platforms.

1. **Independent Samples T-Test**

The Independent Samples T-Test was used to compare the impulse buying scores of two groups:

- Frequent users (who use digital payments multiple times a day)
- Rare users (who use digital payments occasionally)

Summary of T-Test:

Statistical Measure	Value
Mean (Frequent Users)	3.78
Mean (Rare Users)	3.95
Standard Deviation (Frequent Users)	0.89
Standard Deviation (Rare Users)	0.92
T-Statistic	-1.35
P-Value	0.183
Degrees of Freedom (df)	51

If p-value < 0.05: Reject the null hypothesis (H_0) – significant difference exists.

If p-value > 0.05: Fail to reject the null hypothesis (H_0) – no significant difference.

Since the p-value is 0.183 (greater than 0.05), we fail to reject H_0.

Interpretation:

There is no statistically significant difference in impulse buying behaviour between frequent and rare users of digital payments. This means that the frequency of using digital payments does not significantly influence impulse purchases.

2. Correlation Analysis

To further validate the findings, a Pearson correlation test was conducted to measure the strength of the relationship between digital payment frequency and impulse buying behaviour.

Summary of Correlation :

Statistical Measure	Value
Correlation Coefficient (r)	0.029
P-Value	0.834

If p-value < 0.05: Significant correlation exists.

If p-value > 0.05: No significant correlation.

Since the p-value is 0.834 (greater than 0.05), we fail to reject H_0.

Interpretation:

The correlation coefficient (r = 0.029) is very close to zero, indicating a weak and insignificant relationship between digital payment frequency and impulse buying tendency. This suggests that frequent usage of digital payments does not necessarily lead to an increase in impulse purchases.

3. Descriptive Statistics

Statistical Measure	Frequent Users	Rare Users
Sample Size (N)	27	26
Mean Impulse Buying Score	3.78	3.95
Standard Deviation (SD)	0.89	0.92
Variance	0.79	0.85
Range (Max - Min)	4.5 - 2.1	4.7 - 2.3

Interpretation:

1. Mean Comparison: Rare users (3.95) have a slightly higher impulse buying score than frequent users (3.78), but the difference is minor.

2. Standard Deviation: Both groups show similar variation in impulse buying behaviour (0.89 for frequent users, 0.92 for rare users).

3. Variance & Range: Impulse buying scores are similarly distributed across both groups, with variance values of 0.79 (frequent) and 0.85 (rare).

4. Conclusion: Since the means and standard deviations are close, it supports the T-test and correlation results, confirming no significant impact of digital payment frequency on impulse buying behaviour.

DISCUSSION

The study examined the link between digital payment frequency and impulse buying, finding no significant relationship. Statistical analyses, including T-tests ($p = 0.183$) and correlation analysis ($r = 0.029$), showed that frequent users do not exhibit higher impulsive spending compared to rare users. Interestingly, rare users had a slightly higher impulse buying score (3.95 vs. 3.78), possibly due to situational factors like offers or rewards.These findings suggest that impulse buying is influenced more by individual habits and external triggers than payment frequency. They highlight the importance of personal financial discipline, ethical marketing by businesses, and targeted financial literacy initiatives by policymakers. However, with a small sample size and self-reported data, the results are limited, requiring further research with larger, more diverse populations. Overall, the impact of digital payments on spending behaviour is nuanced and situational rather than systemic.

CONCLUSION

Digital payments have transformed consumer spending habits, offering convenience, speed, and security in financial transactions. The widespread adoption of UPI, mobile wallets, and contactless payments has significantly reduced dependency on cash. While digital transactions have enhanced financial accessibility, they have also led to increased impulse spending due to cashback offers, rewards, and frictionless payments. However, financial management tools available in digital payment apps help users track expenses and manage budgets more effectively. Despite these advantages, challenges such as security risks, overspending tendencies, and digital illiteracy remain concerns for consumers. The study highlights the need for financial awareness programs and stronger cybersecurity measures to ensure responsible usage of digital payments. Looking ahead, as digital transactions continue to grow, a balance between financial convenience and spending discipline will be crucial to maintaining financial well-being in a cashless economy.

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