

Original Article

Impact of Digital Payments on Spending Habits: A Behavioral Economics Perspective

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ABSTRACT: Digital payment systems have rapidly transformed how Indians transact, yet the behavioural consequences of this shift remain poorly understood. A behavioural economics approach is being taken and this paper attempts to study the impact of digital payments on consumers' spending behaviour using a combination of theory and primary data from 72 surveys. The research demonstrates that cashless payment options lessen the mental strain involved in parting with money, which economists refer to as "pain of paying," resulting in identifiable alterations to spending behavior. Survey results indicate that 58% of respondents reported spending more after switching to digital payments, and students as well as younger consumers were particularly weak¹. It also finds that promotional offers and cash-back schemes, which consistently promote spending behaviours, contribute to more expenditures, as well as that financial literacy helps shield from them. Using quantitative data and a beefy trove of qualitative information from respondents, the paper claims that speed, ease and abstraction the three virtues granted by digital payments are also psychologically perilous to financial health. The implications of the findings concern consumers, financial institutions and policymakers emphasizing the need for knowledge, as well as carefully designed payment systems able to promote mindful expenditure.

KEYWORDS: Digital Payments, Spending Habits, Behavioural Economics, Pain of Paying, Impulse Buying, Financial Literacy, UPI.

1. INTRODUCTION

Walk into any chai stall in Mumbai or a vegetable market in Patna today, and you will likely spot a QR code taped to the counter. The days of fumbling for exact change are fading. In their place, a quick scan, a tap, and the transaction is done. India's digital payments revolution driven primarily by the Unified Payments Interface (UPI) has been phenomenal. For 2023, UPI transactions surpassed the landmark of 10 billion one of the world's most successful digital payment systems.

It is a process, and this did not happen overnight. Due to the COVID-19 pandemic, what was a gradual move away from cash has accelerated. Even contactless payments, which might have been a convenience prior to the pandemic, became essential as health concerns and social distancing made cash an unpalatable option. Now, digital payments have permeated daily life to the point that it seems almost obsolete to carry a physical wallet. One survey respondent put it simply: "Digital payments have completely eliminated the need to carry a physical wallet."

But here is the question that keeps economists and psychologists up at night: Does the way we pay change what and how we spend?

Traditional economics would say no. The theory goes that rational consumers make decisions based on utility and price, regardless of whether they pay with cash, card, or phone. But anyone who has ever tapped their phone for a quick purchase and later wondered where their money went knows that this theory does not match lived experience. There is something different about spending money when you cannot see it, touch it, or count it.

This difference has a name in behavioural economics: the "pain of paying." When you hand over a crisp five-hundred-rupee note, you feel the loss. The money is physically gone. However, when you reach the point where you scan a QR code, this transaction becomes unreal – almost imaginary. The psychological barrier that usually needs to persuade us at least a few occasions beforehand before making an expenditure is largely lowered. As one respondent put it: "Because payments are so fast and easy, my impulse buying is now out of control; I can spend without really thinking about it."

The paper examines this kind of phenomenon with reference to India. Based on a survey of 72 diverse respondents along with some behavioural economics theory, I look at how digital payments are changing the way we spend. So far, the results are mixed. Digital payments can emulate the practices and ethos of cash in terms of convenience, financial inclusion, access to finance, etc. On the other hand, they introduce cognitive biases that challenge traditional assumptions of rational economic behavior.

The paper is organized as follows. Section two reviews the literature on behavioural economics and digital payment behavior. Section three identifies the research gap. Section four outlines the objectives and hypotheses. Section five describes the methodology and survey design. Section six presents the findings. Section seven discusses the implications for consumers, institutions, and policymakers. Section eight concludes with reflections on what this means for the future of money and spending.

2. LITERATURE REVIEW

2.1. WHY SPENDING CASH HURTS

The "pain of paying" is one of the most important ideas in behavioural economics. It was first articulated by Prelec and Loewenstein in the late 1990s. The basic insight is simple: spending money is psychologically unpleasant. This unpleasantness acts as a brake on consumption. When you feel the pain of parting with your money, you are more likely to deliberate before making a purchase.

Cash makes this pain vivid. You count the notes, hand them over, and watch your wallet become thinner. The loss is tangible. Digital payments do the opposite. They abstract the transaction. You tap, you scan, you click—and the money is gone without any sensory feedback. The pain is dulled, sometimes to the point of invisibility.

Thaler's mental accounting theory adds another layer. Thaler argues that people place their money in mentally tagged accounts. Part of the reason cash seems "real" is that you can see it and count it. Digital money, on the other hand, seems more abstract—more like digits than things. That mental distinction makes it more tolerable to part with digital coins without experiencing the same loss aversion.

These ideas were recently extended and adapted to the digital space. The "Spendception" idea encompasses the loss of mental friction tied to digital spending. It has four dimensions: visibility into spending on the mental level, perceived control over how much we spend, ease of payment in a digital way and disconnection from money transactions. These four dimensions change in ways that promote spending whenever people use digital payments.

2.2. WHAT THE RESEARCH SHOWS

The empirical evidence is consistent. Across multiple studies, digital payments are associated with higher spending. Research in Kerala found that 79% of young adults preferred digital payments to cash, and this preference correlated with increased transaction frequency. Studies in Indonesia showed similar patterns: credit card and prepaid card users spent more than cash users.

Impulse buying is a major part of this story. Digital payments reduce the barriers to spontaneous purchases. There is no time to deliberate, no physical exchange to interrupt the decision process. The purchase happens in seconds as one respondent notes "Na chahte hue v product lenna" buying products even when not wanting to. But again: this feeling of uncontrollability is an essential part of what the study talks about.

Demographic patterns also matter. The effects of digital payments are more pronounced among younger consumers. So do people with lower financial literacy. Additionally there are also gender differences; some show that women are more affected by the convenience of digital payments. Yet, these findings are not generalizable and warrant context-specific exploration.

2.3. FINANCIAL LITERACY AS A SHIELD

Most relevantly, financial literacy seems to be a protective factor. Those who grasp budgeting, saving and the total cost of credit are less likely to overspend, regardless of payment method. It appears that digital financial literacy awareness of security, as well as features and tracking tools for their payments, is what keeps consumers anchored.

But the link is not a one-to-one. Knowing how much you spend does not mean that you are in control. Participants in my questionnaire, whilst agreeing that a digital record of payments can assist individuals with tracking spending, also noted overspending. William Osler's knowledge with work means nothing. The gap between knowing and doing is where behavioural interventions can make a difference.

2.4. THE INDIAN UPI ECOSYSTEM

India presents a unique case. There are only a handful of digital payment systems that have achieved what UPI has managed: Get nearly universal adoption across socioeconomic groups. It is equally applicable to street vendors and corporate executives. The system is open source, ubiquitous due to painstaking integration into smartphones.

According to the study on UPI in Panvel, the speed and convenience of service due to the immediate payment system have not only changed the frequency of transactions but also how people think about budgeting and saving. It was user-friendly, which made people exceed, but digital records were also very open to scrutiny, and some later saw the opportunity for better liquidity.

This duality the possibility to both stimulate spending as well as the ability for tracking underscores just how layered a digital payment experience is.

The current research attempts to enhance this emerging knowledge base by employing theoretical as well as primary survey data collection with Indian respondents. The point is not only understanding what people do but also how they experience and make sense of their digital payment behavior.

3. RESEARCH GAP

The literature offers a sound but incomplete framework. At the offset, most of them focused on credit cards vs. cash without distinguishing between UPI and mobile wallets. These newer payment methods have important differences: they are instantaneous, embedded in everyday smartphone use and frequently tied to bank accounts without credit card delays or interest charges.

Second, the role of psychological factors particularly the reduction of the pain of paying has been underexplored in the Indian context. How do Indian consumers experience this shift? Do they feel the same detachment that has been observed in Western studies? These questions have not been adequately answered.

Third, the interaction between financial literacy, payment modality, and spending outcomes requires more detailed investigation. The present study addresses this through survey questions that capture both objective behavior and subjective experience.

Fourth, the heterogeneity of effects across demographic groups needs more attention. The present survey includes a diverse sample students, salaried employees, self-employed individuals from urban, semi-urban, and rural areas. This diversity allows for more nuanced analysis of differential effects.

Finally, the role of promotional offers and cashback schemes a key feature of the Indian digital payment ecosystem has been insufficiently studied. These incentives are not neutral; they actively encourage spending. Understanding their influence is important for both consumers and policymakers.

4. OBJECTIVES

This research aims to:

- Examine whether digital payment usage is associated with higher spending volume and frequency compared to cash.
- Investigate the psychological mechanisms—particularly the reduced pain of paying—that mediate the relationship between payment modality and spending behavior.
- Assess the moderating role of financial awareness in the digital payment-spending relationship.
- Explore how demographic factors (age, occupation, income, location) influence susceptibility to digital payment-induced overspending.
- Understand the influence of promotional offers and cashback schemes on purchase decisions.

5. HYPOTHESES

Drawing on the theoretical framework and literature review, the following hypotheses were formulated:

- H₁: Digital payment users report higher spending levels than they did when primarily using cash.
- H₂: Digital payment users report higher transaction frequency than cash users.
- H₃: The reduced psychological effect of spending (weakened pain of paying) mediates the relationship between digital payment use and overspending.
- H₄: Promotional offers and cashback schemes significantly influence purchase decisions in digital payment contexts.
- H₅: Financial awareness moderates the relationship between digital payment use and spending, with higher awareness associated with lower spending.
- H₆: Younger consumers and students are more susceptible to digital payment-induced overspending than older consumers and working professionals.

6. METHODOLOGY

6.1. RESEARCH DESIGN AND SAMPLE

The study employed a cross-sectional survey design to gather both quantitative and qualitative data from adult consumers residing in India. The survey was conducted online via email, social media and institutional networks between May and June 2026. In total, 72 valid responses were received.

The sample was intentionally diverse. The respondents were aged between 40 years, with 83% being in the age bracket of 20–30. From high school to a postgraduate degree level, educational backgrounds were mixed. Occupations were students (74%), salaried employees (18%) and self-employed others. Significant geographic representation included: urban (42%), semi-urban (21%) and rural areas (13%); 25% did not specify location.

Although the diversity is not representative of India, it gives a good insight into behaviour with respect to digital payments by various segments. While the students constitute a limitation of this investigation, it also makes sense in that the mechanism is focused on behavior during young adulthood.

6.2. SURVEY INSTRUMENT

The survey contained 24 questions across four sections:

- Section A collected demographic information: age, education, occupation, income, and geographic location.
- Section B examined digital payment usage patterns: preferred platforms, duration of use, primary purposes, transaction frequency, and motivating features.
- Section C explored spending behavior and psychological factors: changes in monthly spending, influence of promotional offers, perceived psychological effect of digital payments compared to cash, frequency of unplanned purchases, and spending categories.
- Section D captured financial management and perceptions: use of digital records for expense monitoring, impact on savings, budget overruns, attitudes toward Buy Now Pay Later (BNPL) options, overall evaluation of digital payment impact, and an open-ended question about habit changes.

6.3. ANALYTICAL APPROACH

The analysis proceeded in multiple stages:

- Descriptive analysis examined frequency distributions and cross-tabulations to identify patterns in payment preferences, spending behavior, and demographic relationships.
- Bivariate analysis explored associations between key variables—for example, between transaction frequency and spending increase, or between unplanned purchases and budget overruns.
- Qualitative analysis thematically analysed the open-ended responses to capture the texture of respondents' experiences and insights.
- The goal was not just to count responses but to understand the lived experience of digital payment users—the contradictions, struggles, and small victories that numbers alone cannot capture.

7. FINDINGS

7.1. WHO ARE THE RESPONDENTS AND HOW DO THEY PAY?

The survey paints a pretty obvious picture: UPI is king among this sample size of digital payments. UPI apps are the most used payment platform for 86% of respondents. Debit cards and credit cards were a far second at 11%, followed by mobile wallets (6%) and internet banking (also 6%). That is not surprising as UPI penetration in India among young mobile users goes deep.

Experience with digital payments is extensive. 40% have been using them 1-3 years and a quarter (25%) more than five. Relatively new users (less than one year) are only 11%. It means that this sample consists of those who are not still getting used to digital payments, but rather have really gotten over novelty and started using these in their daily life.

Transaction frequency is high. About 38 percent of respondents conduct more than 20 digital transactions per week. A further 14% complete between 11 and 20 transactions per week. The main use was for necessary purchases (56%), online shopping (21%), utility payments (10%) and investment / financial transactions – 8%.

The motivating factors are revealing. The other common attributes mentioned were speed (57% of respondents), convenience (40%), security(26%) and tracking finances(record keeping) at 22%, rewards/cashback at the back with only 21%. A focus on speed underpins why the time-related payment dimension with which payments are executed is a real behavioural challenge.

7.2. DOES DIGITAL PAYMENT USE INCREASE SPENDING?

H₁ is confirmed. When asked whether digital payments have changed their monthly spending patterns, 35% of respondents said their spending had "Increased a Lot," and another 24% said it had "Increased Slightly." Only 17% reported "No Change." This means that a clear majority 58% acknowledge some level of spending increase.

One respondent's comment is telling: "While digital payments are undeniably convenient and quick, I find myself spending more than I did in the cash-only days when payment options were limited." Another noted: "Increase in spending as compared to cash-based transactions."

The increase is most pronounced in discretionary categories. Online shopping (57%), food delivery (39%), travel and transportation (31%), and entertainment/subscriptions (25%) are the top categories where spending has risen. These are "wants" rather than "needs" suggesting that digital payments facilitate lifestyle inflation as much as they enable essential transactions.

7.3. THE PSYCHOLOGICAL EFFECT: LESS PAIN, MORE SPENDING

H₃ is strongly supported. When asked whether digital payments reduce the psychological effect of spending compared to cash, 28% strongly agreed and 42% agreed. In total, 70% of respondents acknowledged that digital payments feel psychologically different and less painful than cash.

The open-ended responses capture this in vivid detail:

- "Because payments are so quick and easy, it has increased my habit of impulse buying and spending money without thinking twice."
- "Need not to think twice before doing a payment."
- "Not to carry cash" (suggesting that the physical absence of money correlates with reduced spending awareness).

One respondent's comment "Not able to save money even a rupee" captures the financial strain that can result from this psychological shift. Another offered a raw confession: "Na chahte hue v product lenna."

These quotes show that respondents are not passive victims of technology. Many are aware of the effect. But awareness does not always translate into control. The speed and ease of digital payments create a gap between recognizing the problem and resisting the behavior.

7.4. IMPULSE BUYING: THE UNPLANNED PURCHASE PROBLEM

Impulse buying is widespread. Almost 38% of respondents regularly or very frequently made purchases which were unplanned through digital payment platforms. Another 33% do so occasionally. Just 10% say they never make impulse purchases.

This is what the link between impulse buying and increased spending looks like. Seventy percent of respondents who regularly or quite often made impulse purchases have noted that their spending "Increased a Lot." Among those who never made impulse buys, only 29% experienced the same rate of increase.

This pattern is consistent with the behavioural economics framework: reduced payment friction leads to reduced deliberation, which leads to spontaneous purchases, which leads to higher overall spending. The chain of causality is not automatic—it depends on individual susceptibility and awareness—but the statistical relationship is clear.

7.5. PROMOTIONAL OFFERS: SELLING THE SIZZLE

H₄ is supported. Promotional offers and cashback schemes significantly influence purchase decisions. Thirty-two percent of respondents said they are "Always" or "Frequently" influenced by such offers, while another 33% are "Occasionally" influenced. Only 6% are "Never" influenced.

This finding has important implications. It suggests that the motivational structure of digital payments with cashback, rewards, and discounts as key features actively encourages spending beyond what would occur with neutral payment methods. The incentives are not just perks; they are drivers of consumption.

7.6. BUDGET MANAGEMENT: THE STRUGGLE IS REAL

Budget overruns are common. Thirty-nine percent of respondents often or very often exceed their planned budget because of easy access to digital payments. Another 33% do so sometimes. Only 6% report never exceeding their budget.

The impact on savings is equally concerning. Among those who often or very often exceed their budget, 57% reported that their savings have "Decreased," and 18% reported, "Savings Significantly Decreased." Only 4% reported "Savings Increased."

One respondent admitted: "Spending heavily." Another noted: "Impulsive payments." The connection between payment ease, budget overruns, and diminished savings is a worrying cycle that many respondents appear to be trapped in.

7.7. FINANCIAL AWARENESS: KNOWLEDGE VERSUS CONTROL

Financial awareness, on the other hand, is nuanced. An impressive 82% of respondents additionally "Agree" or "Strongly Agree" that the records available from digital payments help them keep track of their spending, but this knowledge alone does not stop people from going over budget. 53% of those who strongly agree that records help still reported "Spending Increased a Lot"

Except that there is some understated protective element to it. Of respondents who stated "Never" rarely if ever make unplanned purchases, they tended to conduct greater levels of conscious financial behavior. They talked about things like "One has to think before spending a lot of notes." and "Preference for candies & Toffees instead of cash changes. The responses imply that mindfulness and intention behind habit creation can successfully switch off the effects of payment abstraction.

H₅ is partially supported. Awareness is a protective factor, but it is not sufficient on its own. Passive knowledge does not translate into active control without deliberate practice.

7.8. WHO IS MOST VULNERABLE?

Younger consumers and students are far more likely to be affected. Due to the overwhelmingly (83%) millennial representation in our age distribution, analysis is somewhat limited; however, every other cohort saw spending growth ("Below 20"), too. While among students, 62% said "Spending Increased a Lot" or "Spending Increased Slightly", that number is lower (54%) for those with salaries.

Income patterns are also revealing. 47 percent of lower-income respondents (compared to 29% in the ₹10,001-₹50,000 bracket and 29%) reported Spending Increased a Lot. Digital payments could disproportionately affect the poorest segments of the population, putting them at greater risk.

H₆ is supported. Students and younger consumers are more vulnerable because they have lower levels of financial literacy, less ability to absorb shocks due to income stability, and much deeper integration of digital payments into day-to-day life.

7.9. WHAT RESPONDENTS SAY: THE QUALITATIVE INSIGHTS

The open-ended question "What is one habit you think digital payments have changed in your daily life?"—provides rich qualitative data that brings the quantitative findings to life.

On convenience and behavior change:

- "Not to carry cash"
- "Easy to use"
- "Easily transfer the money from one place to another person easily"
- "Not going to ATMs"

On spending awareness and control:

- "I find myself spending more than I did in the cash-only days"
- "Thinking before spending a lot of money"
- "Increase in spending as compared to cash based transaction"
- "Buying without planning"

On impulse and unintended spending:

- "Because payments are so quick and easy, it has increased my habit of impulse buying and spending money without thinking twice"
- "Na chahte hue v product lenna"
- "Impulsive payments"
- On the mixed nature of digital payments:
- "Yes, obviously digital payments changed my" (trailing off, reflecting ambivalence or the difficulty of fully articulating the change)
- "Digital payment is useful to save money and for fraud detection" (showing that respondents can hold both positive and negative perceptions simultaneously)

These quotes reveal a population that is both grateful for the convenience of digital payments and alarmed by the behavioural consequences. There is a sense of being caught between two worlds one where money is tangible, and transactions are deliberate and another where money is abstract, and spending is frictionless.

8. DISCUSSION

8.1. THE TENSION AT THE HEART OF DIGITAL PAYMENTS

The findings of this study reveal a fundamental tension at the heart of the digital payment revolution. Digital payments provide wonderful advantages like transmission and convenience, financial inclusion, and transparency in transactions. However, these very features have psychological effects that can threaten financial health.

Digital payments also digitizes the pace of payment, leaving little time for reflection. This convenience reduces the threshold for spending. It is just an abstraction; it dulls the pain of parting with money. Flat-out consumption does not mean more dollar-like points; the incentives and cashback schemes actively stimulate you to purchase more. These all combine to make it easier than ever for people and harder than ever to spend their money.

A reply to this sentiment perfectly captures the feeling of ambivalence, "Digital payments have facilitated transactions and reduced physical cash at daily life." This is a valence-neutral statement that hides an underlying trade-off. It is not just because the friction that cash creates is annoying; it also acts as a protective layer around our sensitive private information. When we remove that friction, we remove a layer of self-regulation that many of us need.

8.2. THE STUDENT VULNERABILITY

The finding that students are particularly susceptible to digital payment-induced overspending is concerning. Students are at a formative stage in their financial lives. The habits they develop now—good or bad—are likely to persist. If digital payments teach them that spending is effortless and frictionless, they may struggle with financial discipline later in life.

One student respondent's comment—"Not able to save money even a rupee"—is a stark warning. Another admitted: "Buying without planning." These are not just individual failures; they are systematic consequences of an environment designed to make spending easy and thinking hard.

8.3. THE LIMITATIONS OF FINANCIAL AWARENESS

Importantly, financial awareness does not lead to restraint in spending. 82% of respondents agreed that digital payment records allow keeping track of expenses, but this awareness did not convert into spending control for many. Knowledge alone is not enough.

The gap between knowing and doing is nothing new in behavioural economics. This is why financial education programs often have little effect on behavior. The real trick is not delivering the information it's getting people to act on it when they're up against psychological and environmental forces.

8.4. THE BUY NOW PAY LATER PROBLEM

The findings on BNPL options are also concerning. While 25% of respondents said they would be "Unlikely" to spend more using BNPL, and 19% said "Very Unlikely," a significant minority—18%—said they are "Very Likely" or "Likely" to spend more. Another 21% remained neutral, suggesting that many have not fully considered the implications.

BNPL options are designed to reduce the pain of paying even further. By deferring payment, they make the transaction feel even more abstract and less consequential. This is dangerous territory, especially for young consumers with limited financial literacy.

8.5. WHAT THE QUALITATIVE DATA REVEALS

The open-ended responses add richness that numbers alone cannot capture. They reveal a population that is aware of the behavioural changes but often feels powerless to resist them. The phrases are striking: "impulse buying," "spending without thinking twice," "not able to save money."

But there are also signs of resistance. One respondent noted: "Thinking before spending a lot of money." Another mentioned: "Settling for candies and toffees instead of cash changes." These small acts of mindfulness conscious reflections on spending represent a counter-current to the tide of effortless consumption.

8.6. THE CASHLESS ECONOMY PARADOX

At last, the results lead us to an important question about cash-less economy. Digital payments are a boon, but we must not ignore the behavioural impact. The irony here, is that while the technology used to facilitate these transactions may make things worlds faster for consumers as far as the speed of buying, it could also lead to worse economic decisions due to less efficiency by those same consumers in managing their finances.

Digital payments are not bad or good; the question is what you have actually learned. They are both. The challenge is in leveraging the benefits and mitigating their risks. This calls for multi-level intervention, i.e. individual, institutional and policy-level interventions.

9. CONCLUSION

9.1. SUMMARY OF KEY FINDINGS

This study set out to examine the impact of digital payments on spending habits through a behavioural economics lens, combining theoretical analysis with primary survey data from 72 Indian respondents. The findings provide clear evidence that digital payments change spending behavior in measurable and meaningful ways.

A majority of respondents reported that their spending has increased after adopting digital payments. The reduction of the psychological effect of spending, the weakened pain of paying, is the key mechanism behind this change. Digital payments feel different from cash. They are faster, more abstract, and less painful. This difference matters.

Impulse buying is widespread. Promotional offers and cashback schemes encourage spending. Budget overruns are common. Savings have suffered. Younger consumers and students are particularly vulnerable. These are not isolated findings; they are interconnected threads in a larger story about how technology is reshaping financial behavior.

9.2. THEORETICAL CONTRIBUTIONS

This research contributes to the understanding of digital payment behavior in several ways. This is related to two things on the graph: First, it applies behavioural economics concepts such as pain of paying/ mental accounting in the Indian digital payment context. Second, it gives empirical support for our conclusion that digital payments cause less psychological pain than cards or cash do, reconfirming the notion that money really is an abstract concept with a significant effect on spending behavior. Third, it examines the difference between knowledge and behaviour control such that financial literacy may not always translate into responsible use of digital payments.

Findings provide empirical support for the theory of Spendception. Its dimensions psychological visibility, perceived control, ease of use and emotional detachment may all be meaningful even in the context of India. This framework could be developed and tested more rigorously in future research.

9.3. IMPLICATIONS FOR PRACTICE

- For Consumers: Learn how to use digital payments mindfully. Awareness is great, but it needs to develop into intentional practices. Combating the psychological effects of payment abstraction involves setting spending limits, continuous monitoring through digital records on expenses as they are incurred, along with conscious reflection prior to purchases.
- For financial institutions: The results suggest an opportunity for design interventions that encourage responsible spending. Increased customer engagement through transaction visibility, real-time feedback on spending patterns and efficient budget management can enable consumers to stay in control. The fact that 82 % of respondents consider digital records to be useful also shows you can further improve this feature.
- To policymakers: The results highlight potential areas where programs can increase digital financial literacy (mainly targeted at youth). Student vulnerability points to the need for early educational interventions, before spending habits become entrenched. There may also be a case for regulatory oversight of both the BNPL options and promotional incentives.
- For educators and parents: Among the open-ended responses is a sense of needing to discuss digital payment psychology. Most respondents were aware of the behavioral effects but battled with them. This indicates that education needs to expand beyond financial literacy into psychological awareness of human defaults and how to combat these biases.

9.4. LIMITATIONS AND FUTURE RESEARCH

Researchers have found a number of limitations in this study. Study participants are overrepresented among students and young adults, limiting generalizability to older age groups or another group of occupation. Ensuing research should utilize more heterogeneous samples.

Your self-reported data is subject to measurement error and social desirability bias. Integrating objective transactional data is required for future research that could corroborate self-report indices.

However, cross-sectional design precludes causal inference. Causal evidence could be inferred more strongly if surveys examined longitudinal designs tracking consumers as they adopt digital payments.

Other directions for future research should also examine intervention efficacy: Do spending alerts, visualization tools of surplus or deficit in monthly expenditures, or nudge-based interventions help lower overspending? How effective are financial education programs at counteracting the psychological impacts of payment abstraction? What are the social influences and peer effects behind digital payment behavior?

9.5. CONCLUSION: A FINAL REFLECTION

The digital payment revolution is not turning around. Cash will keep on fading, and digital payments are becoming further engrained in everyday life. The question is no longer whether we will embrace this change but how to do it wisely.

In this way, the results of this study indicate that cash friction the indecision, reckoning and pain to pay is not an impediment but rather a design element that should be maintained. Removing all friction from the payment system is like removing a valuable self-regulatory mechanism. The goal is to create digital payment systems that preserve sufficient friction to ensure spending remains intentional, while still delivering speed and convenience.

However, one comment from a respondent gives you the hope that "Digital payment is use full to save the money and fraud detection." This implies that the very technology you need for easy spending serves just as well to carefully track and become financially aware. It can lead to good things or bad, depending on how we use it.

So it is not about refuting digital payments, but making them work to our well-being rather than against us. Awareness, discipline and thoughtful design are needed to achieve this. It also calls for an honest conversation about the trade-offs in any technological change.

At the end of the day, whether digital payments change how you spend or not is a matter without an obvious outcome. It all depends on our decisions as human beings and society. This evidence from the study suggests we are not yet doing everything right. But the awareness is growing. And that is a start.

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APPENDIX

TABLE 1 Demographic Profile of Respondents (N = 72)

Demographic Variable	Category	Frequency	Percentage (%)
Age Group	Below 20 years	6	8.3
	20–30 years	60	83.3
	31–40 years	1	1.4
	41 years and above	0	0
Education	High School	6	8.3
	Undergraduate	34	47.2
	Postgraduate	24	33.3
	Others	3	4.2
Occupation	Student	53	73.6
	Salaried Employee	13	18.1
	Self-Employed	1	1.4
	Others	2	2.8
Area of Residence	Urban	30	41.7
	Semi-Urban	15	20.8
	Rural	9	12.5
	Not Specified	18	25
Source: Primary Data (Survey Conducted by Researcher, 2026)			

INTERPRETATION

The table shows that most respondents (83.3%) belong to the 20–30 years age group. A large proportion are undergraduates (47.2%) and students (73.6%). In terms of residence, 41.7% of respondents are from urban areas. This indicates that the study primarily represents young, educated individuals who are active users of digital payment systems.

TABLE 2 Digital Payment Usage Patterns (N = 72)

Variable	Category	Frequency	Percentage (%)
Primary Digital Payment Platform	UPI Applications	62	86.1
	Debit/Credit Cards	8	11.1
	Mobile Wallets	4	5.6
	Internet Banking	4	5.6
Duration of Digital Payment Usage	More than 5 years	18	25
	3–5 years	16	22.2
	1–3 years	29	40.3
	Less than 1 year	8	11.1
Weekly Transaction Frequency	More than 20 times	27	37.5
	11–20 times	10	13.9
	5–10 times	22	30.6
	Less than 5 times	13	18.1
Primary Purpose of Usage	Essential Purchases	40	55.6
	Online Shopping	15	20.8
	Utility Payments	7	9.7
	Investment/Financial Transactions	6	8.3
	Luxury Purchases	2	2.8
Source: Primary Data (Survey Conducted by Researcher, 2026)			

INTERPRETATION

Table 3 indicates that UPI applications ranked highest amongst others as the most preferred digital payment platform for use (86.1%). 40.3% of respondents said that they have been using digital payments between 1–3 years, and more than 20 transactions/week are conducted by 37.5%. According to the survey, across all respondents, essential purchases are mainly what they use digital payments for (55.6%).

TABLE 3 Impact of Digital Payments on Spending Behavior (N = 72)

Variable	Category	Frequency	Percentage (%)
Change in Monthly Spending	Increased a Lot	25	34.7
	Increased Slightly	17	23.6
	No Change	12	16.7
	Reduced Slightly	1	1.4
	Reduced a Lot	2	2.8
Reduction in Psychological Effect of Spending	Strongly Agree	20	27.8
	Agree	30	41.7
	Neutral	16	22.2
	Disagree	3	4.2
	Strongly Disagree	1	1.4
Frequency of Unplanned Purchases	Very Frequently	7	9.7
	Frequently	20	27.8
	Occasionally	24	33.3
	Rarely	14	19.4
	Never	7	9.7
Influence of Promotional Offers	Always	6	8.3
	Frequently	17	23.6
	Occasionally	24	33.3
	Rarely	13	18.1
	Never	4	5.6
Source: Primary Data (Survey Conducted by Researcher, 2026)			

INTERPRETATION

As per the table, 58.3% of respondents find that digital payments have changed their behavior towards spending more each month. The majority of respondents feel (69.5 %) the need for a very small physical connection when it comes to spending money because, with digital payments, psychological expenditure is reduced in humans. Also, more than half the respondents sometimes or often make unscheduled purchases and promotional sales also affect spending behaviour to some extent. These results showed that digital payment convenience can lead to an increase in spending and impulse purchasing behavior.

TABLE 4 Budget Management and Savings Impact (N = 72)

Variable	Category	Frequency	Percentage (%)
Frequency of Exceeding Budget	Very Often	9	12.5
	Often	19	26.4
	Sometimes	24	33.3
	Rarely	5	6.9
	Never	4	5.6
Impact on Savings	Increased	7	9.7
	Slightly Increased	10	13.9
	No Impact	15	20.8
	Decreased	18	25
	Significantly Decreased	6	8.3
Source: Primary Data (Survey Conducted by Researcher, 2026)			

INTERPRETATION

This suggests many respondents go over their budgets at least occasionally, with 33.3% saying sometimes according to the table above. For savings, a significant percentage of respondents referenced declines in saving as opposed to somebody who cited increasing their money, which possibly suggests that the usage of and therefore reliance on these digital payments was harming some users' ability to save at all.

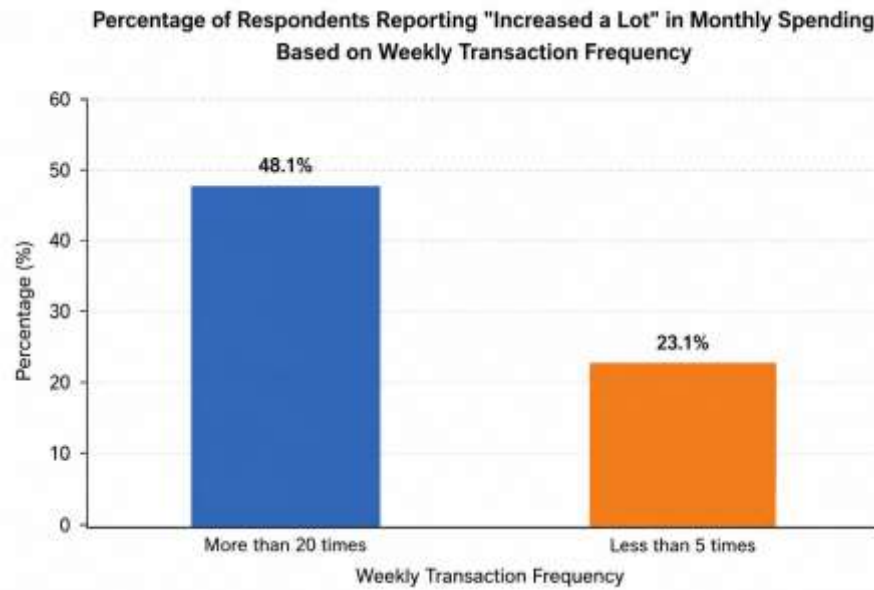


FIGURE 1 Spending Increase by Transaction Frequency

Bar chart showing that 48.1% of respondents with more than 20 weekly transactions reported "Increased a Lot" compared to 23.1% among those with less than 5 weekly transactions

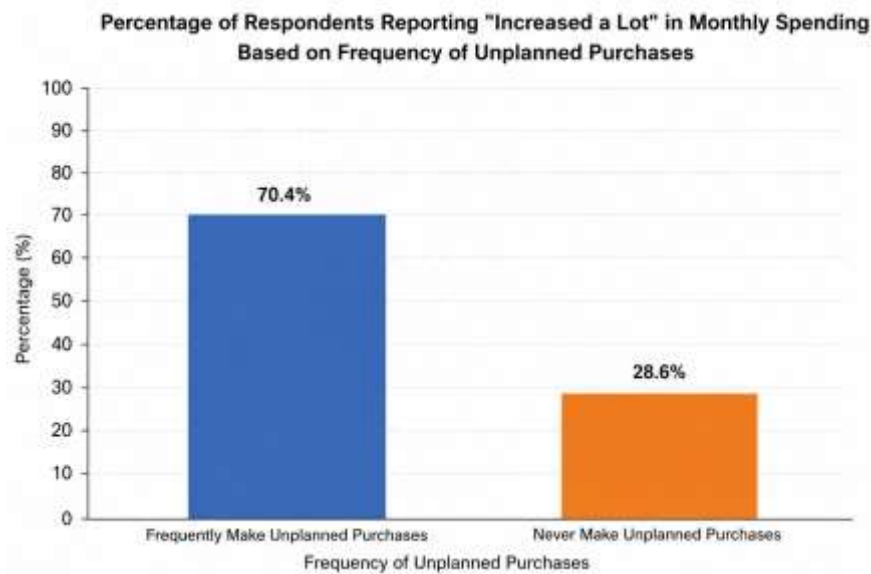


FIGURE 2 Relationship Between Unplanned Purchases and Spending Increase

Bar chart showing that 70.4% of respondents who frequently make unplanned purchases reported "Increased a Lot," compared to only 28.6% among those who never make unplanned purchases.