



Impact of Digital Payments on Youth Spending Habits

Riddhi Surana

Student, R.A. Podar College of Commerce, Mumbai, Maharashtra

Shamitaa Arora

Student, R.A. Podar College of Commerce, Mumbai, Maharashtra

Abstract

With the rapid growth of technology, digital payment systems have become an important part of daily life, especially among young people. Easy access to mobile phones, internet services, and payment apps has changed the way youth spend money. This study looks at how digital payments affect the spending habits of youth in India. The survey was conducted among 61 young people between the ages of 15 and 30. Information was collected through a simple questionnaire that focused on how often digital payments are used and how they influence spending behaviour. Convenience sampling was used for the study, and the data were analysed using percentage analysis. The findings show that digital payments encourage more frequent spending among youth due to ease and accessibility. Overall, the study highlights how digital payment methods are shaping the daily financial habits of young people in India.

Keywords: Digital Payments, Youth, Spending Habits, Online Payments.

INTRODUCTION

The data reveal that due to the increase in the penetration of smartphones and internet access, there has been a rapid growth in digital payment systems globally and in India. The speed and the convenience of online payments play a significant role in being a part of people's daily lives, especially the youth. Rastogi et al. (2021) show how digital platforms such as UPI have transformed the payment framework and everyday transactions. The youth are the ones who adapt to these types of technological advancements the fastest. That is because they were raised in the midst of an era of technological transformations. They are the ones defining its future relevance. It is always beneficial to examine and record the ever-changing payment methods and their effect on individuals. Particularly when those innovations are related to entertainment, e-commerce, food, and travel. Goplani et al. (2021) revealed that young users of online payment apps generally used for online shopping and e-commerce activities. The evidence also supports that youth are not only using digital payments for necessities, but are also using them for their lifestyle expenses. In fact, the youth are proving to be dependent on online payments for their routine transactions. Similarly, Prajapati & Vidani (2025) studied the changing behaviours in digital spending among college students and reported the rising level of reliance. A major reason why the use of digital payments has led to an increase in impulse buying is the low awareness of expenditure. Cash brings about a tangible perception of spending, whereas spending digitally may not create the same immediate psychological resistance due to the abstract nature of numerical values. To add to the reasons that lead to a rise in the usage of digital payments, ease of use and accessibility, full-time availability, and smooth transactions all play a key role. Even though rewards and cashback do not influence any spending decisions among individuals, this is not to say they don't have any effect; it's just not a primary reason people use online payments. The simplicity of digital payment systems has enabled youth to transition

smoothly into the world of digital financial services. Even though the implementation of digital payment has been analysed widely, fewer studies focus directly on youth dependency and the comparison between cash and cashless payment methods and their effect on spending habits. This assessment is significant for the examination of ever-changing financial habits among the younger generations. This is exactly what this study aims to explore.

LITERATURE REVIEW

Gagandeep Singh (2019) presented a literature-based review to study the primary factors influencing the adoption behaviour of mobile e-wallets. Factors like ease of use, accessibility, security, safety, and social influence. It was found that the lack of awareness and its perceived risks led to the prevention of user acceptance. The study also notes that for youth, while using e-wallets, factors like speed and convenience matter the most.

Goplani et al. (2021) examined the use of digital payment apps by the youth in e-commerce, specifically in terms of security, convenience, and usage patterns. Based on a survey of 331 respondents, the paper concludes that Google Pay and PhonePe are the most popular digital payment apps because of their convenience and round-the-clock accessibility. Although the youth are positive about digital payments, they face technical glitches.

Rastogi et al. (2021) revealed why UPI is a significant digital innovation within India's payment ecosystem. It is not only easy to use and understand, but also quick, while supporting real-time payment capabilities. It reduces transaction costs and gains trust through secure authentication methods, which reinforces broader access to financial services to rural and low-income groups. Smooth transaction flows also promote small business activities.

Purohit et al. (2022) examined mobile payment adoption of Generation Z in a developing country through UTAUT. Drawing on survey data of undergraduate students. The study finds that the most significant drivers were social influence, effort expectancy, and performance expectancy. Meanwhile, incentives in the form of discounts and cashback did not have a significant impact, indicating the greater influence of peer influence and perceived usefulness.

Ahmed M. Shahren & Mohamed F. Sharaf (2025) studied digital payment modes and their smooth adoption by individuals due to their ease of use and accessibility. The study also highlights that people are less likely to adopt technologies with perceived risks, especially risks like security and safety. Additionally, the study shows that prior studies applied technology acceptance frameworks such as TAM and UTAUT to understand the user behaviour and intention.

Lamichhane (2025) analysed the behaviour of Generation Z with digital payments using a qualitative method with phenomenology. With semi-structured interviews and group discussions, he found that Gen Z tends to overspend due to factors like the illusion of liquidity, lack of pain of paying, easy payment features, discounts, peer pressure, and impulsive buying triggers. To reduce such spending behaviour, the research also found some strategies like financial education, spending alerts and visual cues.

Prajapati & Vidani (2025) studied consumption, inflation, savings, the confidence index, and interest rates to examine the influence of digital payments on individual saving and spending behaviours, especially during an economic crisis like COVID-19. It was found that not only has household spending increased, but gross savings have also increased.

Shahren & Sharaf (2025) discussed the role of digital payment technology in promoting financial inclusion in different regions through a literature review based on PRISMA. The article concludes that digital payments have a positive impact on access to formal financial services, particularly for the unbanked sections of society, including youth and women. The article also mentions the importance of mobile money in developing countries.

OBJECTIVES

1. To evaluate how reliant young people are on digital payment methods for their everyday transactions.
2. To compare the spending behaviour of youth using cash vs. digital payment methods.

RESEARCH METHODOLOGY

This study focuses on understanding how digital payment methods affect the spending habits of young people in India. The main purpose of the study is to see how often youth use digital payments and how these cashless methods influence their day-to-day spending decisions. Both primary and secondary data were used

for the analysis. The study follows a descriptive research design. Primary data was collected through a well-structured questionnaire administered to 61 respondents aged between 15 and 30 years, using a convenience sampling method. The responses were analysed using basic percentage analysis, and the opinions and responses of the participants were carefully studied to understand their spending behaviour. Secondary data was gathered from research articles, reports, and reliable online sources to strengthen the study and provide background support.

ANALYSIS AND INTERPRETATION

Table 1: Demographic Profile of Respondents.

Particulars	Percentage of Respondents
Gender:	
Male	39.3%
Female	60.7%
Age Group:	
15-18	5%
19-22	55%
23-26	38%
27-30	2%
Current Status:	
Student	67%
Working professional	24%
Self-employed	5%
Gap year for studies	2%
Senior AI Fund Accountant	2%

The demographic profile shows how youth experience digital payments in their daily lives. More than half of the respondents were female (60.7%), while 39.3% were male, showing that many young women are actively using digital payment methods, followed by those aged 23–26 years (38%), which means the survey mostly covered college-going youth and young adults. A small number of respondents were from the 15–18 age group (5%) and the 27–30 age group (2%).

In terms of current status, the majority of respondents were students (67%), indicating that digital payment usage is very common among youth pursuing education. Working professionals made up 24%, showing that young earners are also actively using digital payments. A smaller percentage were self-employed (5%), while 2% had taken a gap year for studies, and 2% were senior accounts professionals. The survey mainly reflects

the voices of young, active users who interact with digital payments almost every day. Overall, the responses highlight how deeply digital payments are woven into the everyday routines of young people. Their age, lifestyle, and frequent spending needs make them one of the most active and influential groups in the digital payment ecosystem.

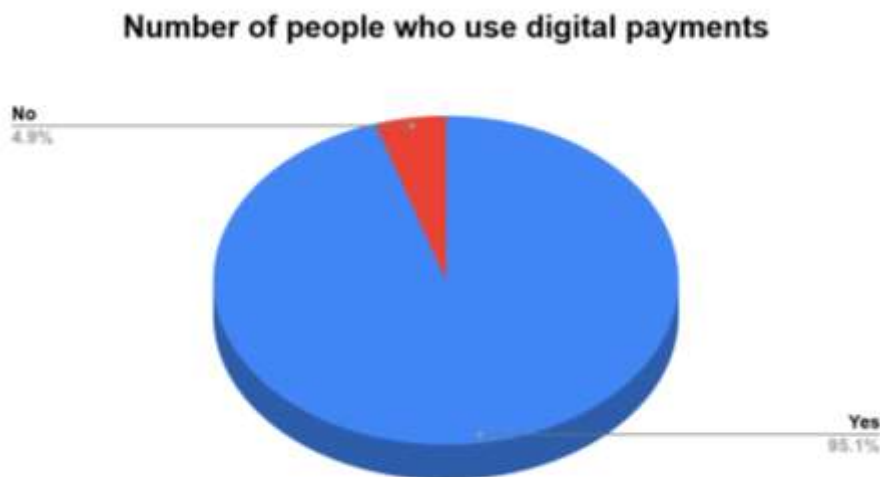


Figure 1: The Number of People Who Use Digital Payments.

The chart shows that most people, nearly 95%, use digital payments in their everyday lives. This suggests that paying through mobile apps, cards, or online platforms has become easy and comfortable for many. Only a small number of people still prefer not to use digital payments. Overall, digital payments are now a normal and trusted way to make transactions.

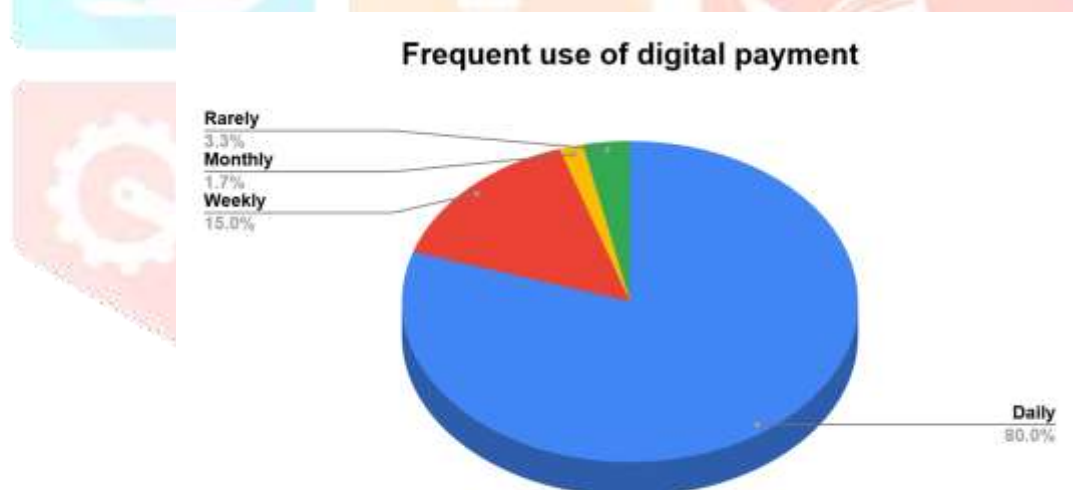


Figure 2: The Frequency of Digital Payment Usage Among Respondents.

The chart reveals that most people, about 80%, use digital payments on a daily basis, showing that people now rely on digital payments in their everyday lives. Around 15% use digital payments weekly, while a very small number use them monthly or rarely. This indicates that digital payments are not just popular but are used regularly by most people. Overall, it highlights the strong dependence on digital payment methods for daily transactions.

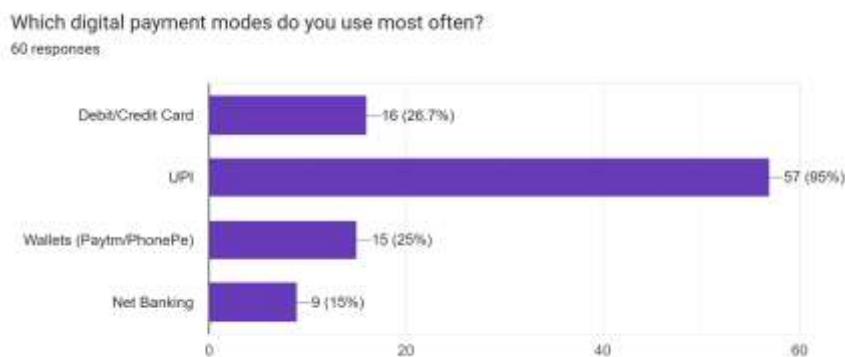


Figure 3: The Most Frequently Used Digital Payment Modes Among the Respondents.

The chart clearly indicates that UPI is the most preferred digital payment method, with 95% of respondents (57 out of 61) using it regularly. Debit and credit cards are used by 26.7%, while 25% of respondents use digital wallets such as Paytm and PhonePe. In contrast, net banking is the least used option, with only 15% of respondents (9 individuals) preferring it, possibly due to its relatively longer process compared to UPI.

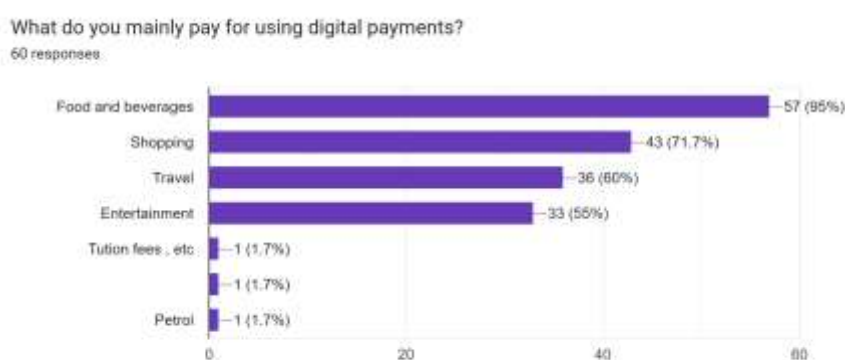


Figure 4: The Main Expenses Paid Through Digital Payment Methods.

The chart shows that food and beverages are the most common expense, with 95% of respondents using digital payments for this purpose. A large number also use them for shopping (71.7%), travel (60%), and entertainment (55%), indicating frequent use for both daily needs and leisure activities. Very few respondents use digital payments for tuition fees or petrol, indicating limited use in these areas. Overall, the results show that digital payments are mainly used for daily and regular expenses.



Figure 5: The Level of Dependence on Digital Payment Methods Among Respondents.

The chart indicates that a majority of respondents are highly dependent on digital payments, with 41.7% rating their dependence at level 5 and 30% at level 4. Around 18.3% show moderate dependence, while very few report low dependence. This clearly shows that digital payments play an important role in daily financial activities.

Do digital payments make it easier for you to spend money compared to cash?

61 responses

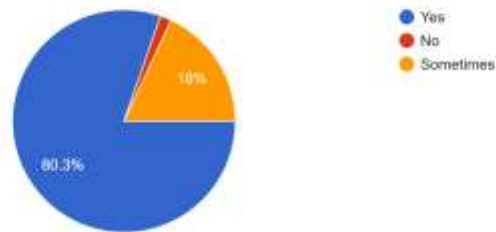


Figure 6: The Impact of Digital Payments on Spending Behaviour.

The chart shows that 80.3% of respondents feel digital payments make it easier to spend money, indicating higher convenience than cash. About 18% say it sometimes makes spending easier, while only a very small number disagree. This suggests that digital payments can encourage quicker and more frequent spending due to their ease of use.

Change in spending pattern after adoption of Digital Payment methods

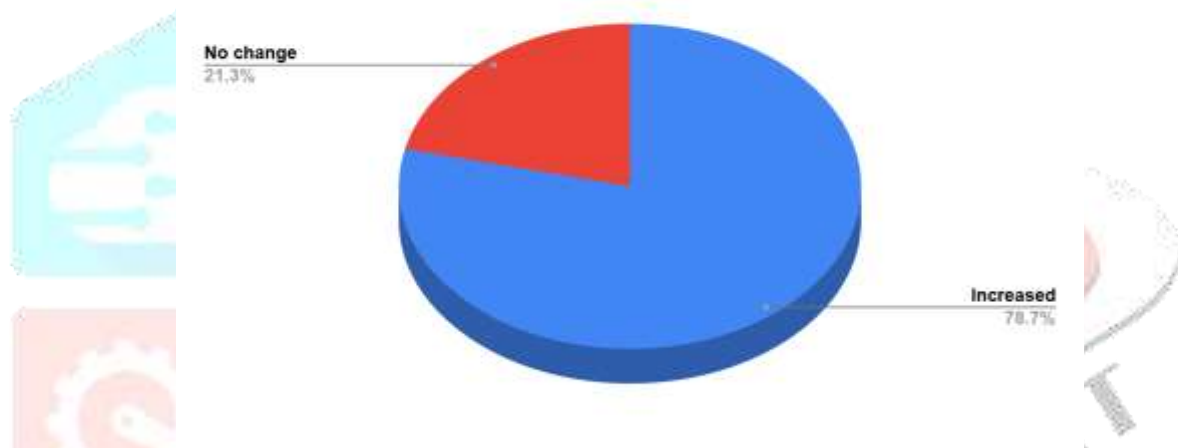


Figure 7: The Change in Spending Patterns After the Adoption of Digital Payment Methods Among People.

The chart disclosed that because the majority of people find digital payments easier, their spending habits change accordingly, too. With 79% of the respondents reporting that their spending has increased solely due to this factor. While the other 21% show no change. This reveals that the easy accessibility of online payments encourages the majority of people to spend more.

Digital payments influence on impulse buying

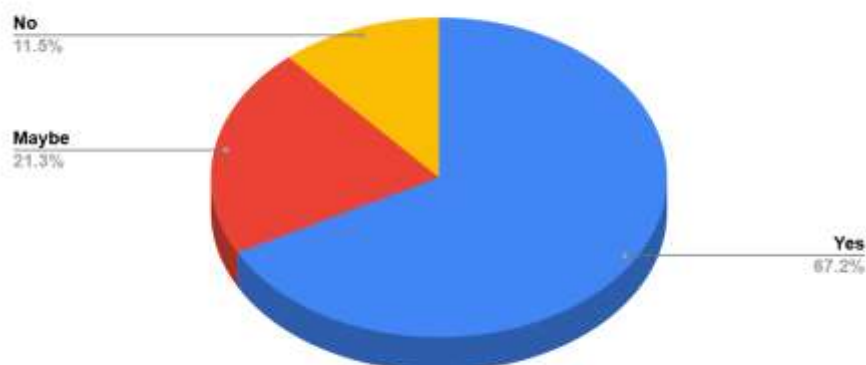


Figure 8: The Influence of Digital Payments on Impulse Buying.

Further, we see that the user-friendly online payments not only increased spending in people's day-to-day lives, but also show a spike in impulse buying. With a majority of 88% of people suggesting that digital payments, in some manner, influence impulse buying, whether it may be regularly or occasionally. Among them, 67% agreed that it does indeed influence impulse buying, while the other 21% reported that it may affect their behaviour depending on the situation. Only 12% of the respondents report that it does not have any influence on them regarding impulse buying.

Influence of Cashback/Rewards on using digital payment.

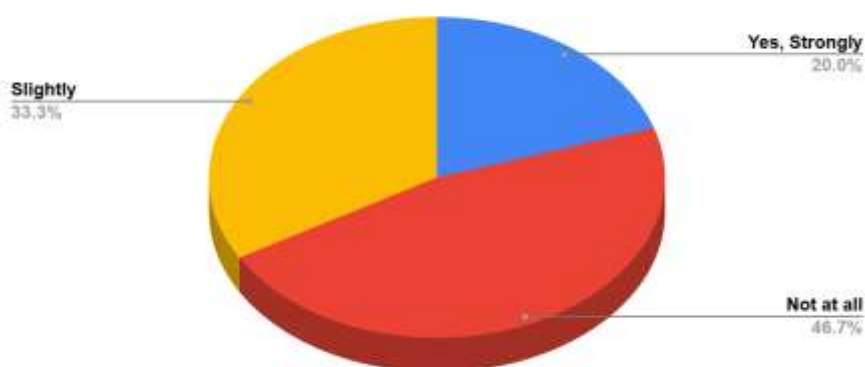


Figure 9: The Influence of Cashback/Rewards on Using Digital Payments.

This chart helps us understand different reasons, other than ease of use, for why people lean towards using online payments more and more. 53% of the people reveal that cashbacks or rewards on using digital payments influence them to use it more, even if its influence is minimal. Of these, 20% report that they strongly agree with this, while the other 33% says that the rewards or cashback only slightly influence their usage of online payments. A considerable proportion of 47% of people report that it does not have any influence on their usage of digital payments. This indicates that even though rewards or cashbacks are a motivating factor, there are other reasons that people lean towards more when it comes to digital payments.

Pie Chart of "While paying digitally, I think less about the amount that I am spending." Do you agree with the statement?

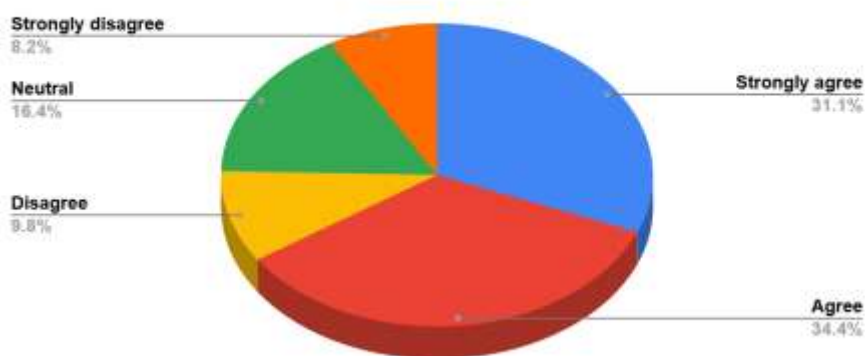


Figure 10: Respondents' Agreement With this Statement, "While Paying Digitally, I Think Less About the Amount That I Am Spending."

A majority of 65% of respondents agree that they think less about the amount when paying digitally. Within this group, 31% strongly agree with the statement, and the other 34% agree with it. This reveals that using online payments reduces awareness among users. In contrast, 18% of the respondents disagreed with the statement. Among these, 10% disagree, and the other 8% strongly disagree. While 16% of the people stayed neutral. This signifies that, unlike cash payments, which involve a tangible exchange of money and make spending more noticeable, digital payments show spending mainly as numbers on a screen, which may reduce

the users' awareness of how much they are spending. This leads to less cautious spending behaviour among the youth.

FINDINGS

- Out of the 61 respondents, 95% of them use digital payments, and among them, 95% of people use UPI as their main mode of online transaction.
- 80% of the users use it in their day-to-day lives, with the majority of the transactions being for food & beverages, shopping, travel, and entertainment.
- The greater proportion reports being adequately dependent on the modes of digital payments.
- This dependency is mainly due to the easy accessibility of the modes of online payments compared to cash. This high accessibility has revealed to increase people's spending and therefore bring about a change in their spending behaviour.
- Change of spending behaviour in youth resulted in an increase in impulse buying. This is due to the fact that while using a tangible form of payment like cash, the person is more aware of how much they are spending. In contrast, digital payments present as numerical values on screen, hence lowering their spending awareness and increasing expenditures.
- Almost half of the respondents reported that rewards or cashbacks do not influence their decision to spend. Only one-third of the respondents said otherwise.

CONCLUSION AND FUTURE SCOPE FOR RESEARCH:

The present study shows that most young people are well aware of digital payment methods and actively use them in their daily lives. The findings suggest that digital payments have made spending easier, faster, and more frequent among youth. Many respondents feel that because payments are so easy, they often spend more money than planned. At the same time, they also believe that digital payments are useful as they save time and make transactions smooth and simple. Respondents also recognise the benefits of digital payments, such as better transaction records and ease of use.

However, the study also highlights concerns related to overspending and reduced control over expenses due to the ease of digital transactions. Despite awareness about responsible spending, the simplicity of digital payments continues to influence purchasing behaviour. Since this study focuses only on youth aged 15–30 years, future research can include other age groups, such as adults and senior citizens. Further studies can also examine long-term effects on saving habits, money management, and spending behaviour across different regions and income groups. The findings can be useful for spreading awareness about mindful spending and better money management.

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