Impact of Digital Payment Systems on Consumer Spending and Saving Behavior in India

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ABSTRACT

India has witnessed a remarkable shift toward a digitally oriented economy, driven largely by the rapid expansion and acceptance of digital payment modes such as UPI, mobile wallets, and internet banking services. In this context, the present study seeks to examine the influence of these digital payment systems on consumers' spending and saving behaviour. The study is based on primary data collected from 280 respondents through a structured questionnaire. Further, the analysis is framed using the Technology Acceptance Model (TAM) to understand how perceived ease of use and perceived usefulness shape consumer behavioural responses toward digital payments.

The findings indicate that digital payment platforms provide substantial benefits in terms of convenience, accessibility, efficiency, and financial inclusion. However, the study also reveals that the ease and seamless nature of digital transactions can contribute to impulsive spending behaviour, as such transactions involve comparatively lower psychological barriers and require minimal physical effort. At the same time, the research highlights the need for greater financial literacy and appropriate policy interventions to ensure that the growing adoption of digital payment systems promotes responsible financial practices alongside economic convenience.

Keywords: Digital payment platforms, Technology Acceptance Model (TAM), consumer financial behaviour, financial accessibility, impulsive purchasing behaviour.

INTRODUCTION

The rapid digitalization of financial services in India has brought about a substantial change in the country's economic landscape as well as in the financial behaviour of consumers. Policy initiatives such as Digital India, together with the increasing penetration of smartphones and internet connectivity, have accelerated the adoption of digital payment methods across different sections of society. Payment mechanisms including UPI, mobile wallets, and internet banking are now widely used for routine financial transactions, offering speed, convenience, and transparency. More importantly, the growing dependence on digital modes of payment has influenced the manner in which individuals handle, monitor, and perceive their financial activities on a day-to-day basis.

From a behavioural perspective, the declining use of physical cash reduces the direct sensory experience of spending money, thereby weakening the psychological restraint generally associated with cash transactions. As a result, consumers may become more inclined toward higher spending, particularly on discretionary and non-essential items. Conversely, digital payment applications also provide features such as transaction histories, expenditure tracking, and budgeting tools that can improve financial monitoring and encourage planned saving behaviour. Against this background, the present study attempts to analyse the dual impact of digital payment adoption on consumer financial behaviour. The study specifically examines whether the ease and convenience associated with digital payment systems promote impulsive expenditure or contribute to more organised financial management practices. Further, by employing the Technology Acceptance Model (TAM), the research evaluates how perceived usefulness and perceived ease of use influence consumer attitudes and decisions relating to spending and saving behaviour.

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Statement of the Problem

In recent years, digital payment systems have witnessed widespread adoption across India, transforming the way financial transactions are carried out in everyday life. Although these platforms have enhanced accessibility, speed, and convenience in financial dealings, their wider influence on consumer financial behaviour has not yet been fully explored. Increasing reliance on cashless transactions has raised concerns that the simplicity and immediacy of digital payments may encourage excessive or impulsive spending. Since digital transactions do not involve the physical exchange of money, users may experience a weaker sense of financial outflow, which can reduce spending consciousness and affect personal financial control.

Simultaneously, digital payment applications offer several features such as expenditure monitoring, transaction records, and financial summaries that may assist individuals in managing their finances more effectively. These tools have the potential to encourage responsible spending and strengthen saving practices. However, limited research has examined whether such features genuinely contribute to improved financial discipline among users. Existing studies have largely focused on factors influencing the adoption and usage of digital payment systems, while comparatively less attention has been given to their behavioural outcomes after adoption, particularly within the Indian socio-economic setting.

In view of these concerns, the present study seeks to examine whether digital payment systems primarily promote financial discipline or unintentionally stimulate higher consumption behaviour among users. To address this issue systematically, the study is guided by the following research questions:

1. How do digital payment systems influence consumer spending behaviour, particularly in relation to impulsive purchasing tendencies?
2. To what extent do perceived usefulness and perceived ease of use affect saving behaviour and financial decision-making among users?

LITERATURE REVIEW

A considerable volume of scholarly work has examined the evolution and adoption of digital payment systems; however, relatively limited attention has been devoted to understanding their influence on consumer financial behaviour. One of the early contributions in this area was made by Richard Thaler (1985), who introduced the concept of mental accounting to explain how individuals categorize and manage their financial decisions. This perspective is particularly relevant in a digital environment where traditional cash-based spending practices are gradually diminishing. Expanding this behavioural approach, Dilip Soman (2001) developed the notion of the "pain of paying," arguing that reduced physical involvement in transactions, especially in digital modes of payment, can weaken spending awareness and thereby increase the likelihood of higher expenditure.

Subsequent studies focused largely on the expansion and acceptance of digital payment technologies. Chen (2013) examined the contribution of digital payment systems toward financial inclusion, although the study did not address their implications for saving behaviour. Likewise, Tommy Dahlberg et al. (2015) reviewed developments in mobile payment innovations and emphasized their rapid growth and convenience, but they did not extend their discussion to consumer financial outcomes. In a similar vein, Tiago Oliveira et al. (2016), using the Technology Acceptance Model (TAM), established that perceived usefulness and perceived ease of use significantly influence the adoption of digital payment technologies. Nevertheless, their work remained limited to adoption-related aspects and did not investigate behavioural consequences. Singh and Rana (2017) further explored demographic determinants influencing adoption patterns, while the financial behavioural dimension continued to remain underexplored.

More recent literature has gradually shifted its attention toward user behaviour and transaction practices. Liu et al. (2019) observed that the use of digital payment systems contributes to increased transaction frequency, indirectly indicating changes in consumer spending patterns. Within the Indian context, Raghavan and Sridhar (2020) studied the growing acceptance of UPI-based transactions and highlighted their widespread adoption, although the study did not examine their influence on financial discipline. Similarly, Patil et al. (2020) identified

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ease of use as a major determinant encouraging the adoption of digital payment systems, but they did not relate it to consumer saving or spending behaviour. Around the same period, Douglas Arner et al. (2020) discussed the broader evolution of fintech, concentrating mainly on technological and regulatory developments rather than behavioural implications.

Further contributions in this area began to recognize the financial behavioural effects associated with digital transactions. Kumar et al. (2021) reported a substantial increase in digital transactions in India following demonetization, though the relationship between digital payments and saving practices was not examined in detail. Gupta and Yadav (2021) highlighted the convenience and efficiency associated with digital payment systems but did not consider their long-term financial implications. More directly, Rahman et al. (2022) suggested that the use of digital wallets may encourage impulsive purchasing behaviour among consumers. In contrast, Shah et al. (2022) focused on financial literacy as an independent construct, without integrating it with digital payment usage patterns. Further, Verma (2023) indicated a possible association between digital payment adoption and increased consumer spending, although the study lacked extensive empirical support.

Extending the contemporary literature, Mehta and Singh (2024) found that real-time payment facilities and reward-oriented incentives further stimulate consumer expenditure, particularly among younger individuals. More recently, Iyer et al. (2025) observed that advanced digital payment features, including spending analytics and expense tracking tools, may contribute positively toward saving behaviour; however, their effectiveness depends greatly on the user's level of financial awareness and self-regulation.

Research Gap

A review of the existing literature indicates that most studies on digital payment systems have primarily focused on issues related to adoption, technological advancement, accessibility, and user acceptance. In contrast, relatively limited scholarly attention has been directed toward understanding the behavioural consequences that emerge after the adoption of these systems, particularly with regard to consumer spending and saving behaviour. In addition, earlier research has seldom attempted to integrate technology-based theoretical models, such as the Technology Acceptance Model (TAM), with insights derived from behavioural finance perspectives.

Within the Indian context, where the usage of digital payment platforms has expanded rapidly across varied demographic and socio-economic groups, empirical evidence examining the influence of perceived usefulness and perceived ease of use on actual financial behaviour remains insufficient. Existing studies have not adequately explored whether the convenience and accessibility associated with digital payment systems encourage greater financial discipline or contribute to increased spending tendencies among users. Accordingly, the present study aims to bridge these research gaps by offering a comprehensive examination of the behavioural outcomes linked to digital payment usage, with particular emphasis on consumer spending patterns and saving behaviour.

Objectives of the Study

1. To evaluate the influence of digital payment systems on consumer spending behaviour.
2. To investigate the association between the adoption of digital payment systems and saving behaviour through the variables of the Technology Acceptance Model (TAM).

Hypotheses

H1: Perceived ease of use has a significant effect on consumer spending behaviour.

H2: Perceived usefulness has a significant influence on consumer saving behaviour.

Research Design

The present study adopts a descriptive and analytical research design to investigate the influence of digital payment systems on consumer spending and saving behaviour. The analysis is based on primary data collected

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from 280 respondents selected through a stratified random sampling method, ensuring adequate representation across different demographic groups. The adoption of a probability-based sampling approach enhances the reliability of the findings and improves the generalizability of the study outcomes.

Data were gathered through a structured questionnaire designed using a Likert-scale format, which enabled a systematic evaluation of respondents' perceptions and financial behaviour. The study is theoretically grounded in the Technology Acceptance Model (TAM), wherein perceived ease of use (PEOU) and perceived usefulness (PU) are treated as the principal explanatory variables. These variables are analysed with reference to consumer spending behaviour and saving behaviour, which serve as the dependent variables of the study.

To examine the relationships among the identified variables and to validate the proposed hypotheses, the study employs statistical tools such as descriptive statistics and regression analysis. The selected methodological approach offers a systematic framework for understanding how consumers' perceptions of digital payment technologies influence their actual financial decision-making and behavioural patterns.

DISCUSSION & RESULTS

The mean values presented in Table 1 suggest that respondents hold generally positive perceptions toward digital payment systems.

Table 1: Descriptive Statistics (N = 280)

Variable	Mean	Std. Deviation	Minimum	Maximum
Perceived Ease of Use	3.87	0.68	2.10	5.00
Perceived Usefulness	3.92	0.64	2.25	5.00
Spending Behaviour	3.75	0.71	2.00	5.00
Saving Behaviour	3.58	0.69	1.95	5.00

Source : Primary Data

Respondents generally consider digital payment systems to be both user-friendly and beneficial in their day-to-day financial transactions. The mean score relating to spending behaviour is comparatively higher than that of saving behaviour, indicating a greater inclination toward frequent digital spending activities. In addition, the moderate values of standard deviation reflect a reasonable level of consistency in the responses provided by the participants.

The regression analysis reported in Table 2 offers significant insights into the influence of the key dimensions of the Technology Acceptance Model (TAM), namely perceived ease of use (PEOU) and perceived usefulness (PU), on consumer financial behaviour within the context of digital payment systems. These findings directly support the primary objective of the study, which is to analyse the effect of digital payment adoption on consumer spending and saving behaviour.

Table 2: Descriptive Statistics (N = 280)

Variable	Coefficient (β)	Std. Error	t-value	p-value	Result
PEOU → Spending	0.312	0.072	4.33	0.000	Significant
PU → Saving	0.278	0.065	4.27	0.000	Significant
Constant	1.245	0.210	5.92	0.000	-

Source: Primary Data

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The results reveal that perceived ease of use (PEOU) has a positive and statistically significant effect on spending behaviour ($\beta = 0.312$, $p < 0.001$). This suggests that consumers are more likely to engage in frequent digital transactions when payment platforms are perceived as simple, user-friendly, and effortless to operate. The relatively stronger coefficient value indicates that ease of use is an important determinant encouraging spending behaviour. From a behavioural perspective, the convenience associated with digital payment systems appears to reduce transactional effort and psychological resistance, thereby increasing the likelihood of both planned purchases and impulsive expenditure. This outcome directly supports the first objective of the study by confirming that digital payment systems significantly influence consumer spending patterns.

Similarly, perceived usefulness (PU) demonstrates a positive and statistically significant relationship with saving behaviour ($\beta = 0.278$, $p < 0.001$). This finding implies that consumers who perceive digital payment systems as functionally beneficial—particularly through features such as expense tracking, financial monitoring, transparency, and spending summaries—are more inclined to adopt disciplined financial practices and saving habits. The significance of this relationship indicates that the practical utility offered by digital payment platforms can contribute positively to financial management and long-term saving behaviour. This finding is consistent with the second objective of the study, which focuses on understanding the relationship between digital payment adoption and saving practices.

The constant value of 1.245, which is also statistically significant, represents the baseline level of consumer financial behaviour in the absence of the explanatory variables included in the model. Although the constant itself does not carry substantial behavioural interpretation, its statistical significance suggests that additional external variables not incorporated in the present study may also influence spending and saving behaviour among consumers.

Table 3: Model Summary

Model	R	R^2	Adjusted R^2	F-value	Significanc
1	0.721	0.520	0.514	45.67	0.000

Source: Primary Data

Overall, the findings confirm that the two primary dimensions of technology acceptance—perceived ease of use and perceived usefulness—perform distinct yet complementary roles in influencing financial behaviour. Ease of use tends to encourage higher spending by making transactions quicker and more accessible, whereas perceived usefulness promotes more conscious and organised financial management, particularly in relation to saving behaviour. These findings are consistent with the assumptions of the Technology Acceptance Model (TAM), reaffirming that technology acceptance factors extend beyond adoption intentions and significantly shape behavioural outcomes. At the same time, the study highlights the dual nature of digital payment systems: while they enhance financial inclusion, accessibility, and transparency, they may also create conditions that encourage impulsive spending behaviour. Collectively, these results provide meaningful insight into the changing financial habits of consumers within an increasingly digital economy.

CONCLUSION

The study concludes that digital payment systems play a significant role in shaping consumer financial behaviour in India. These systems have improved convenience, accessibility, and financial inclusion by simplifying everyday financial transactions and expanding access to digital financial services. However, the ease and speed associated with digital payments also appear to encourage higher levels of spending, primarily due to the reduced transactional effort involved in cashless payments. At the same time, certain features offered by digital payment platforms, such as transaction records, expenditure tracking, and financial monitoring tools, have the potential to support better saving practices when used effectively by consumers.

The findings further emphasize the importance of strengthening financial literacy and consumer awareness to ensure the responsible use of digital payment technologies. In this regard, policymakers and financial institutions

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should give greater attention to the integration of budgeting mechanisms, financial planning tools, and awareness programmes within digital payment platforms. Such initiatives can help consumers maintain a balanced approach toward spending and saving, thereby promoting healthier financial behaviour in an increasingly digital economy.

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