

## CONSUMER SPENDING HABITS AND DIGITAL PAYMENT ADOPTION: A BEHAVIOURAL PERSPECTIVE

**Diksha Pawar**

Assistance Professor (Guest Faculty), Department of Commerce,  
Soban Singh Jeena University Campus, Almora

Received: 10<sup>th</sup> January, 2026

Accepted: 12 February, 2026

Published: 25<sup>th</sup> February, 2026

### **Abstract:**

The rapid growth of digital payment systems has significantly influenced consumer financial behaviour, particularly spending habits. This study aims to examine the impact of factors influencing customers' spending habits and to analyse the changes in spending habits resulting from the adoption of digital payment systems. The research is based on primary data collected from 400 respondents in the Kumaun region of Uttarakhand through a structured questionnaire, supported by secondary data from relevant sources. Statistical tools such as regression analysis and ANOVA were used to assess the relationship and significance of variables, while graphical methods ensured the validity of assumptions. The findings reveal that digital payment systems have a significant impact on spending habits, with personal and banking factors showing a strong positive influence, whereas security factors are found to be insignificant. The study further indicates that the increasing use of digital payments has led to more frequent and convenient spending. From a behavioural perspective, digital payment methods reduce the visibility of money, lowering the "pain of paying" and increasing the likelihood of impulsive spending. At the same time, they facilitate better saving and investment through features like automatic deductions and seamless transactions, enabling regular investments without the need for physical bank visits.

**Keywords:** Digital Payments; Spending Habits; Cashless Economy; Consumer Behaviour; Financial Decision-Making

### **INTRODUCTION**

"Do not save what is left after spending, but spend what is left after saving." — *Warren Buffett*  
Spending habit is influenced not only by personal values and financial awareness but also by the mode of payment. The shift from cash to digital payment systems has significantly transformed consumer behaviour, affecting both spending and saving patterns (Stavins, 2017). With the rapid growth of digital technologies, payments have become more convenient, faster, and accessible, especially in countries like India where systems such as UPI have revolutionized the transaction landscape. India has emerged as a global leader in digital payments, driven by increasing internet penetration, smartphone usage, and supportive government initiatives (NPCI, 2023; Business Insider India, 2023).

While digital payments offer efficiency and ease, they also influence how individuals perceive and spend money. The reduced "pain of paying" in digital transactions often leads to increased and more frequent spending (Stavins, 2017). At the same time, factors such as awareness, security, and banking infrastructure continue to shape adoption and usage of digital payment

systems (Halaweh & Al Qaisi, 2016; Yang et al., 2015). The rapid expansion of digital payment infrastructure, supported by technological advancements and financial innovation, has further strengthened this transformation (Mishra et al., 2016; Shree et al., 2021).

In this context, the present study examines how digital payment systems impact customers' spending habits, highlighting the role of key influencing factors in an evolving cashless economy.

## **REVIEW OF LITERATURE**

**(Tian et al., 2024)** The rapid development of payment technologies has continuously reshaped consumer payment preferences and behaviour. With the decline in cash usage and the rise of digital alternatives, traditional consumption patterns are gradually changing. This shift is particularly visible among the younger, internet-driven generation, whose lifestyle and purchasing decisions are deeply influenced by digital platforms and evolving technological environments.

**(Raman & Aashish, 2021)** The rapid growth of internet users and digital transactions in India reflects the increasing importance of digital payments in everyday life. With millions of users engaging in online transactions, digital payment systems have become a crucial component of the financial ecosystem. However, adoption is still influenced by factors such as availability, accessibility, and user readiness.

**(Ligon et al., 2019)** Government initiatives such as Digital India have further accelerated the adoption of digital payment systems by promoting awareness and improving accessibility. Despite this progress, cash continues to dominate in many areas, especially in developing economies. The availability and accessibility of digital payment technologies remain key factors in driving financial inclusion and adoption.

**(Tiwari & Singh, 2019)** In the Indian context, the adoption of digital payment systems has gained significant momentum, especially through platforms like Paytm and BHIM. Studies indicate that factors such as convenience, ease of use, and accessibility strongly influence consumer satisfaction and adoption of cashless payment systems. The increasing reliance on such platforms highlights a shift in consumer preferences toward faster and more efficient transaction methods.

**(Ramya et al., 2017)** Digital transactions offer multiple advantages including speed, convenience, and transparency, but they also come with certain limitations such as security concerns and technological dependency. While cashless systems promote efficiency, challenges related to awareness, trust, and infrastructure still affect their widespread adoption.

**(Lopez, 2002)** The method of payment plays a crucial psychological role in shaping spending behaviour. Cash transactions provide a tangible sense of money, making individuals more aware of their expenditures and often encouraging controlled spending. In contrast, digital payment methods such as cards and mobile payments reduce the visibility of money, leading to lower "pain of paying" and a higher tendency toward excessive or impulsive consumption.

**(Boss et al., 2000)** The expansion of internet and communication technologies has fundamentally transformed the way financial transactions are conducted. The emergence of e-banking has enabled individuals to perform transactions remotely, reducing dependence on physical banking infrastructure. This digital transformation has laid the foundation for the growth of modern digital payment systems.

**OBJECTIVES**

1. To identify the impact of factors influencing customers’ spending habits with the adoption of digital payment systems.
2. To examine the change in customer’s spending habits due to the digital payment system.

**RESEARCH METHODOLOGY**

The present study is based on both primary and secondary data sources. Primary data was collected through personal interviews and a well-structured questionnaire consisting of closed-ended questions. The questionnaire was prepared in both Hindi and English to ensure better understanding among respondents.

The sample size for the study was determined using Taro Yamane’s formula, resulting in a total of 400 respondents. These respondents were selected from the total bank account holders (District Administration Nainital, 2021-22) (78,39,490) in the Kumaun region of Uttarakhand, data collected specifically from the district headquarters. Secondary data was collected from various books, journals, reports, and other relevant sources.

The collected data were analysed using regression analysis in SPSS to evaluate the relationship between dependent and independent variables. ANOVA was employed to determine the statistical significance of the model at the 5 percent level. Further, histograms, normal P–P plots, and scatter plots were utilized to examine the distribution, normality, and linearity of the data. This method helped to determine the association between customer’s spending habits and digital payment system among the respondents.

**ANALYSIS AND INTERPRETATION**

The collected data were analysed using regression analysis to examine the relationship between variables. ANOVA was applied to test the overall significance of the model at the 5 percent level of significance. Additionally, graphical techniques such as histograms, normal P–P plots, and scatter plots were used to assess data distribution, normality, and the relationships among variables.

The null hypothesis has been formulated and tested using regression analysis in SPSS.

**H<sub>01</sub>: “There is no significant association between customer’s spending habits and the usage of the digital payment system”.**

The hypothesis in this study proposed that usage of digital payment systems have no significant influence on the customer’s spending habits. To examine this hypothesis in detail, this study has tried to examine the impact of factors influencing the spending habits of the respondents.

The four factors identified are Personal, Banking, Spending Habits, and Security, here the study examine Personal, Banking, and Security factors impact on Spending Habits of an individual’s when digital payment methods were used.

The study identifies four major factors influencing digital payment usage and spending behaviour, along with their associated variables:

**Table1.1 IDENTIFIED FACTORS WITH ITS VARIABLES**

FACTORS	VARIABLES
	Influence from Family/Friends/Society
	Affordable Mobile Data Plans

<b>PERSONAL FACTOR</b>	Increased Use of Internet in daily life
	Effortless Shopping Facilities
	Merchants prefer Cashless Payments
	Need for Contactless Payments Due to Covid-19
<b>BANKING FACTOR</b>	Improvement in Banking Facilities
	Lower Processing Charges
	Increase in Number of Mobile Wallets Apps
	Less Availability of Hard Cash & Drive Towards Cashless Payments
	Available at any Place or Time
<b>SPENDING HABITS FACTOR</b>	Spend money when I need (Just in time, no need to hold stock)
	Use online platforms to buy products
	Approach and buy all brands online
	Search for discount and other offers in the products before placing order
	Cashless payments sometimes make extra burden on pocket
<b>SECURITY FACTOR</b>	Enhanced Banks & Security Providers Support System
	Easy & Reliable Refund System in case of Payment Failure
	Easy Access & Tracking of the Money
	Effective Tracking of Monetary Violations
	Rapid & Secure than Cash Payment

The analysis and interpretation of the impact of factors influencing the spending habits of the respondents are given in the following

### **IMPACT OF FACTORS INFLUENCING DIGITAL PAYMENT SYSTEM ON SPENDING HABITS:**

To study the impact of the various factors influencing Digital Payment System on Spending Habits of the respondents, has been analysed using regression analysis.

Regression models have been used in this study to examine the relationship between the dependent variable and one or more independent variables, and to predict the impact of these variables on the outcome. Security Factors, Personal Factors, and Banking Factors were taken as predictor variables in the model whereas, Spending Habit was taken as dependent variable

in the model. The following sub-hypotheses has been formulated and tested at 5 percent level of significance:

**Ho1:** “There is no significant impact of Factors Influencing Digital Payment System on Spending Habits”.

**HA1:** “There is significant impact of Factors Influencing Digital Payment System on Spending Habits”.

The output of the regression analysis is revealed in the following table:

**TABLE 1.2 DIGITAL PAYMENT SYSTEM (MODEL SUMMARY) FACTORS INFLUENCING SPENDING HABITS**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	0.769 <sup>a</sup>	0.592	0.588	0.54131	2.034

**a. Predictors:** (Constant), Security Factors, Personal Factors, Banking Factors

**b. Dependent Variable:** Spending Habit Factors

The model summary is revealed in Table 1.2 and this table shows that R<sup>2</sup> value is 0.592 that indicates that 59.2 percent variation in the dependent variable ‘spending habits’ is explained by the three independent predictors/determinants. Durbin-Watson statistics says that if there is any autocorrelation in independent variables of the model, it should lie between 1.5 to 2.5. The Model summary of regression model 1 in this study shows that the Durbin-Watson statistics is 2.03, which means there is no autocorrelation problem in the model.

**TABLE 1.3 DIGITAL PAYMENT SYSTEM (ANOVA) FACTORS INFLUENCING SPENDING HABITS**

Model		Sum of Squares	df	Mean Square	F	Sig. (p-value)
1	Regression	168.046	3	56.015	191.171	0.000 <sup>b</sup>
	Residual	116.033	396	0.293		
	Total	284.079	399			

**a. Dependent Variable:** Spending Habit Factors

**b. Predictors:** (Constant), Security Factors, Personal Factors, Banking Factors

The results of ANOVA table, overall model fit are revealed in Table 1.3 and from the table the study found that the p value is 0.000, which is <0.05. Based on the regression outcomes, the study concluded that the model is statistically overall fit. In another words, factors influencing digital payment system have significant impact on spending habits of the individuals.

Further, the coefficients and test statistics of the regression analysis in model are outlined in Table 1.4 The study also confirmed the absence of the Multicollinearity problem in the model before extracting the coefficient of the regression model. Multicollinearity has been examined in this study to identify the presence of high correlation among predictor variables, as it may

affect the accuracy of the regression model and lead to incorrect inferences. Co-linearity statistics have been used for this purpose.

Multicollinearity in this study has been detected with the help of tolerance and its reciprocal, called variance inflation factor (VIF). If the value of tolerance is less than 0.2 or 0.1 and above 10, then the multicollinearity is problematic. Collinearity Statistics have been shown in Table 1.5 and in this for all the predictor variables in the model has a tolerance value > 0.1 with VIF < 10. Hence there is no multicollinearity in the model.

**TABLE 1.4 CASHLESS TRANSACTIONS (COEFFICIENTS) FACTORS INFLUENCING SPENDING HABITS**

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics		
	B	Std. Error	Beta			Tolerance	VIF	
1	(Constant)	1.066	0.129		8.251	0.000		
	Personal Factors	0.153	0.048	0.159	3.157	0.002	0.406	2.46
	Banking Factors	0.602	0.054	0.647	11.121	0.000	0.304	3.285
	Security Factors	-0.011	0.04	-0.011	-0.267	0.790	0.642	1.558

**a. Dependent Variable:** Spending Habit Factors

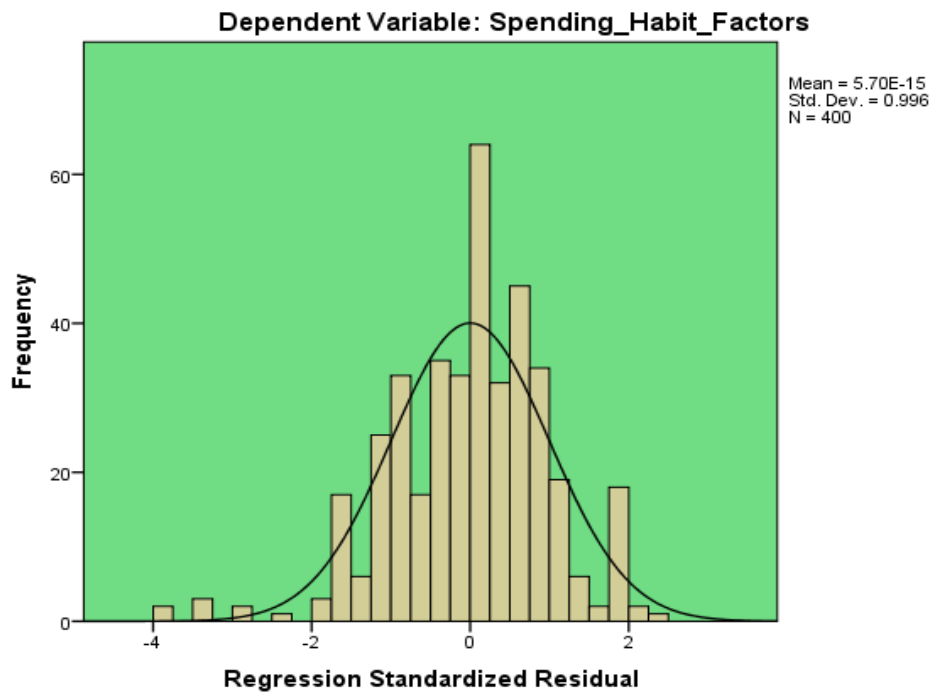
**TABLE 1.5 CASHLESS TRANSACTIONS (RESIDUALS STATISTICS) FACTORS INFLUENCING SPENDING HABITS**

Variables	Minimum	Maximum	Mean	Std. Deviation	N
Predicted Value	2.2164	4.8014	3.6265	0.64897	400
Residual	-2.1469	1.35044	0.000	0.53927	400
Std. Predicted Value	-2.173	1.81	0.000	1	400
Std. Residual	-3.966	2.495	0.000	0.996	400

**a. Dependent Variable:** Spending Habit Factors

To make a valid inference from the regression analysis, the residuals of the model should follow a normal distribution. The normality of the residuals is confirmed by drawing a normal p-p plot in Figure 1.2 of standardized residuals of the model. Test outcomes are presented in Figure 1.1 and Table 1.5 also supports the normality with mean zero and a standard deviation. Another assumption of the multiple regressions is a linearity which in this study is confirmed by carrying out nonlinearity test. From the scatter plot with Loess Curve given in Figure 1.2 this study satisfies the assumption of linearity.

**FIGURE 1.1 CASHLESS TRANSACTIONS (HISTOGRAM) FACTORS  
INFLUENCING SPENDING HABITS**



**FIGURE 1.2 CASHLESS TRANSACTIONS (NORMAL P-P PLOT) FACTORS  
INFLUENCING SPENDING HABITS**

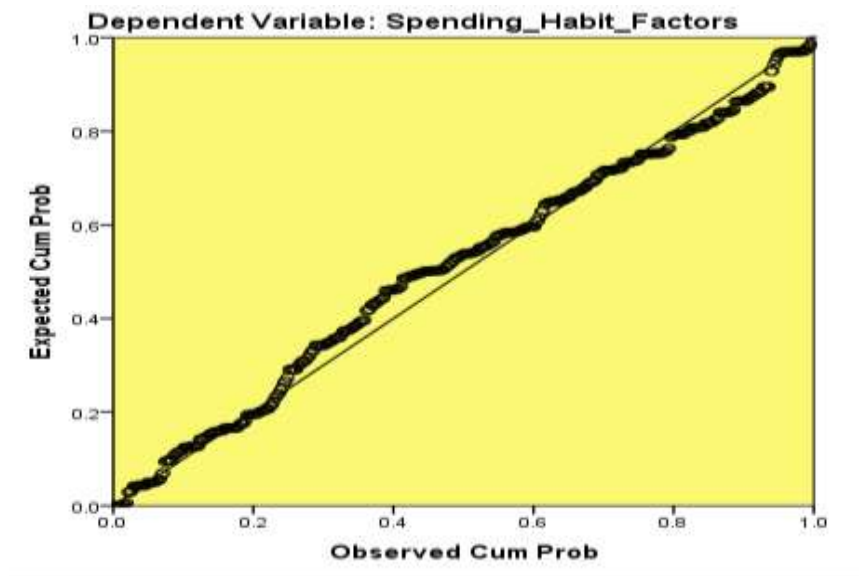
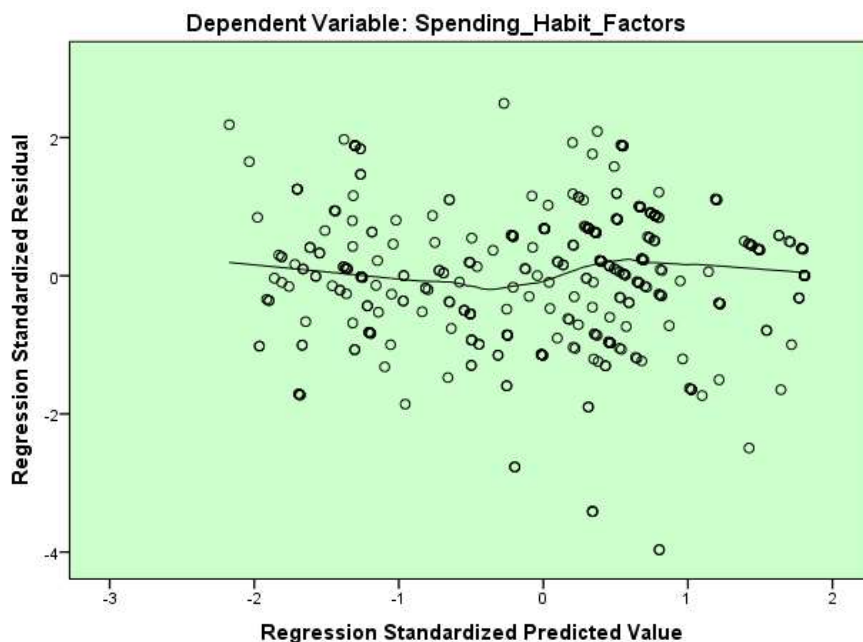


FIGURE 1.3 CASHLESS TRANSACTIONS (SCATTER PLOT) FACTORS INFLUENCING SPENDING HABITS



The Coefficients of the predictors in the model are revealed in Table 1.4 and the results indicates that coefficient of predictor variables ‘personal factors’ (Beta = 0.159,  $t = 3.157$  and  $p = 0.002$ ) and ‘banking factors’ (Beta = 0.647,  $t = 11.121$  and  $p = 0.000$ ) show a significant impact on spending habits of the individuals. Impact of third variable ‘security’ could not find significant (Beta = -0.011,  $t = -0.267$  and  $p = 0.790$ ).

**H<sub>01</sub>:** “There is no significant impact of Factors Influencing Cashless Transactions on Spending Habits”. (*Rejected*)

**H<sub>A1</sub>:** “There is significant impact of Factors Influencing Cashless Transactions on Spending Habits”. (*Accepted*)

### FINDINGS & SUGESTIONS

The study reveals that the regression model has strong explanatory power, with 59.2% variation in spending habits explained by the selected factors, and no issues of autocorrelation or multicollinearity were found, confirming the reliability of the model. The overall model is statistically significant, indicating that factors influencing digital payment systems have a meaningful impact on spending habits. Among the predictors, personal factors ( $\beta = 0.159$ ,  $p < 0.05$ ) and banking factors ( $\beta = 0.647$ ,  $p < 0.01$ ) have a significant positive impact on spending habits, while the security factor ( $\beta = -0.011$ ,  $p > 0.05$ ) is statistically insignificant, indicating no meaningful influence on spending habits. The hypothesis testing results further confirm that the null hypothesis is rejected and the alternative hypothesis is accepted. Additionally, all key assumptions of regression, including normality and linearity, are satisfied. Based on these findings, it is suggested that both consumers and financial institutions take measures to control impulsive buying associated with the increasing use of digital payment systems. Individuals should adopt disciplined financial practices such as budgeting, setting spending limits, and regularly tracking their expenses to avoid unnecessary purchases. At the same time, financial

institutions and digital payment platforms should introduce features like spending alerts, transaction summaries, and optional spending limits to promote mindful spending. Additionally, improving digital literacy and creating awareness about responsible financial behaviour can help users better manage the convenience of digital payments and reduce the tendency toward impulsive consumption.

## **CONCLUSION**

Based on the results of the regression analysis, the study concludes that digital payment systems have a significant impact on customers' spending habits, leading to the rejection of the null hypothesis. Personal and banking factors are found to have a strong and statistically significant influence, whereas security factors do not show a meaningful impact. The model demonstrates good explanatory power and satisfies all key statistical assumptions, ensuring the reliability of the findings.

From a behavioural perspective, the mode of payment plays a crucial role in shaping spending habits. While cash transactions promote greater awareness and controlled spending due to their tangible nature, digital payment methods reduce the visibility of money, lowering the "pain of paying" and increasing the tendency toward higher and impulsive purchases.

At the same time, digital payment systems have also facilitated improved saving and investment behaviour, as features such as automatic deductions and seamless online transactions enable individuals to invest regularly without the need to physically visit banks, which was a limitation in the cash-based system.

Overall, the shift from cash to digital payments has not only transformed transaction methods but has also contributed to more frequent and convenience-driven spending. With increasing digitalization and improved banking infrastructure, this trend is expected to continue. However, it also highlights the need for greater financial discipline among consumers to manage impulsive buying in a rapidly evolving digital payment environment.

## **REFERENCE**

1. Balakrishnan, V., & Shuib, N. L. M. (2021). Drivers and inhibitors for digital payment adoption using the cashless society readiness-adoption model in Malaysia. *Technology in Society*, 65, 101554.
2. Boss, S., McGranahan, D., & Mehta, A. (2000). Will banks control online banking? *The McKinsey Quarterly*, (3), 70.
3. Business Insider India. (2023). India tops world ranking in digital payments. Retrieved from <https://www.businessinsider.in>
4. District Administration Nainital. (2021-22). *Socio-economic survey*. Retrieved August 24, 2024, from <https://nainital.nic.in/document-category/socio-economic-survey/>
5. Halaweh, M., & Al Qaisi, H. (2016). Adoption of near field communication (NFC) for mobile payments in the UAE: A merchants' perspective. *International Journal of E-Business Research*, 12(4), 38–56.
6. Ligon, E., Malick, B., Sheth, K., & Trachtman, C. (2019). What explains low adoption of digital payment technologies? Evidence from small-scale merchants in Jaipur, India. *PLOS ONE*, 14(7), e0219450.

7. Lopez, J. (2002). Electronic payment systems: An analysis and comparison of types. *Technology in Society*.
8. Mehra, P., Mehta, B. S., Bhatt, M., & Sethi, A. S. (2025). The Role of Virtual Simulations and E-Labs in Hospitality Training-Student Perception and Learning Effectiveness. *Asian and Pacific Economic Review*, 18(1), 595-611.
9. Mishra, A., Gunasekar, S., & Gupta, D. (2016). Influence of product perception and discounts on the preference of online payment. *IEEE International Conference on Computational Intelligence and Computing Research*.
10. NPCI. (2023). UPI product statistics. Retrieved from <https://www.npci.org.in>
11. Raman, P., & Aashish, K. (2021). To continue or not to continue: A structural analysis of antecedents of mobile payment systems in India. *International Journal of Bank Marketing*, 39(2), 242–271.
12. Ramya, V., et al. (2017). Cashless transaction: Modes, advantages and disadvantages. *Indian Journal of Development and Management Studies*, 1(1), 47–50.
13. Rawat, D., Dani, R., & Sethi, A. S. (2025, April). Investigating the Impact of Community Involvement on the Adoption and Effectiveness of Sustainable Practices in Hotels of Uttarakhand. In *9th International Conference on Synergizing Sustainable Technologies and Management Practices (STAMP 2024)* (pp. 205-218). Atlantis Press.
14. Sethi, A. (2019). Out of Mind, Out of Sight: A Critical Appraisal of Social Initiatives to Curb Migration in Uttarakhand. *International Journal of Management, Technology and Social Sciences*, 4(2), 59-68.
15. Sethi, A. S., & Negi, M. S. (2024). Employee Perspective & Ranking Of Occupational Health Issues. “A Case Study Of Industrial Employees Of Uttarakhand”. *Amity Business Review*, 25(1).
16. Shree, S., Pratap, B., Saroy, R., & Dhal, S. (2021). Digital payments and consumer experience in India: A survey-based empirical study. *Journal of Banking and Financial Technology*, 5(1), 1–20.
17. Stavins, J. (2017). How do consumers make their payment choices? *Federal Reserve Bank of Boston Research Data Report*, 17(1).
18. Tian, F., Huang, W., Jia, S., et al. (2024). Consumer behaviour research based on the theory of the self Z generation. *Journal of Modern Business*, (02), 32–35.
19. Tiwari, N., & Singh, N. K. (2019). Factors affecting consumer satisfaction in cashless payment systems in India with respect to Paytm and BHIM. *International Journal of Recent Technology and Engineering*, 8(3S2), 10–15.
20. Yang, Y., Liu, Y., Li, H., & Yu, B. (2015). Understanding perceived risks in mobile payment acceptance. *Industrial Management & Data Systems*, 115(2), 253–269.