



CASH VS UPI: A STUDY ON SHIFTING PAYMENT CHOICES AND CONSUMER BEHAVIOUR

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Abstract : Digital transactions in India are growing at a fast pace and now are becoming part of everyday financial transactions. Among the various options available in the market, the Unified Payments Interface (UPI) is the major tool that helps users to transfer money quickly through mobile applications. The present study aims to understand the payment preferences of respondents between cash and UPI, to understand various factors that influences their decision making and to analyze the attitude of respondents towards using UPI as a payment option compared to traditional cash payment.

Keywords: Digital payment methods, Unified Payments Interface (UPI)

I. INTRODUCTION

The financial system in India is changing very fast, some say faster than anyone expected. For a long time, cash was the only and the most trusted way of payment in the country, whether in small shops, villages, or even big markets. People always carried notes and coins, and this was seen as the safest method. But with the growth of smartphones, internet connections becoming cheaper, and new banking technologies, the trend of digital transactions started. Among all the new methods, UPI or Unified Payments Interface became the most powerful tool. UPI is different from old systems because it allows instant transfer between two bank accounts only using a mobile application, there is no need to type long account numbers or wait for long hours to make transactions, the money simply moves in seconds. The payment is simple: the customer just scans and pays directly, no need for coins or worrying about change. Even very small amounts like 5 or 10 rupees can be sent. The role of apps like PhonePe, Google Pay, Paytm and the government BHIM app is also big in this expansion. These apps made UPI more friendly for common people. Some people even say that now carrying a wallet is not required if you have a phone with UPI application. In this context, it is important to study whether people prefer cash or UPI and factors that influences their choices and the attitude towards UPI as compared to traditional cash payments.



Process of Digital Payment through UPI

2. REVIEW OF LITERATURE

Digital payments in India have grown very quickly in the last few years. Among all the systems, UPI has become the most popular because it is fast and simple. Earlier, such payments were mainly used in cities, but now studies show that even people in villages and small towns are using UPI. For example, an **EY–CII survey (2024)** found that more than one-third of rural people prefer UPI, though many still depend on bank branches for some services [1]. Another report from **PayNearby (2025)** noted that small shops in villages have also adopted UPI, and many of them said it helped their income and daily work [2]. This means digital payments are spreading slowly but strongly beyond cities.

Government programmes have also helped in this change. **BharatNet** worked on improving internet connections in rural areas, and **PMGDISHA (Pradhan Mantri Gramin Digital Saksharta Abhiyan)** trained families in basic digital skills [3]. Still, problems remain. A survey reported by **Mint (2025)** showed that while many rural women use mobile phones, less than half actually own one. But those who do use digital payments mostly rely on UPI [4]. This shows UPI is trusted where access is available, but gender gaps in access are still a barrier.

Some studies have explained why people choose UPI. A study using the **UTAUT model** said that people adopt UPI when they feel it makes life easier, saves time, and when friends or family support it [5]. Another study confirmed that trust and supporting infrastructure also play a big role [6]. These findings mean that technology alone is not enough; people also need confidence and social support to fully accept it.

Along with this, many programmes have tried to improve digital literacy. The **Internet Saathi project**, supported by Google and Tata Trusts, trained millions of rural women to use the internet [7]. **Common Service Centres (CSCs)** also help people in villages to access online services, including UPI [8]. But even with these efforts, issues like poor connectivity, language problems, lack of trust, and gender differences still slow down full adoption (Charan, 2024) [9].

Finally, UPI has also supported local businesses. Some platforms based on India Stack have helped small sellers in villages reach new customers online. For these shopkeepers, UPI records are sometimes used as proof of income, which even helps them get loans [10]. This shows UPI is not only useful for daily payments but also for building financial inclusion.

Overall, earlier studies agree that UPI is growing very fast in India, including in rural areas. But they also highlight that problems like lack of trust, low security awareness, and unequal access to technology still exist. This makes it important to study how factors like education influence payment choices, which is the focus of this research.

3. OBJECTIVES OF THE STUDY

- To examine the payment preferences of respondents between cash and UPI in their daily transactions
- To analyse the factors that influences the respondents while choosing cash or UPI as a mode of payment
- To understand the attitude of respondents towards using UPI as compared to traditional cash payment.

4. HYPOTHESIS

H0: There is no significant relationship between respondents educational qualification and their preferred mode of payment (cash or UPI)

H1: There is a significant relationship between respondents educational qualification their preferred mode of payment (cash or UPI)

5. STATEMENT OF THE PROBLEM

With the increased availability of smartphones, internet access and user friendly mobile applications UPI has transformed the way people exchange their money and make financial transactions. Despite this growth of UPI, cash continue to remain a major mode of payment in many sections of the society. While UPI offers speed and convenience, factor such a security concerns, technical issues, lack of digital awareness etc. prevent full potential of digital payment systems. Therefore, the present study aims to understand the payment preference of respondents analysing various factors that influences their choices and to understand the overall attitude of the respondents towards UPI as compared to traditional cash payments.

6. RESEARCH METHODOLOGY

- **Research Type:** The study follows a descriptive research design.
- **Sampling Technique:** Responses were collected using convenience sampling.
- **Sample Size:** Data was collected from 50 respondents.
- **Instrument:** A structured questionnaire was used for data collection.
- **Analysis Tools:** The responses were organized and analyzed using Microsoft Excel (charts, graphs, and percentages) and SPSS.

7. DATA ANALYSIS AND INTERPRETATION

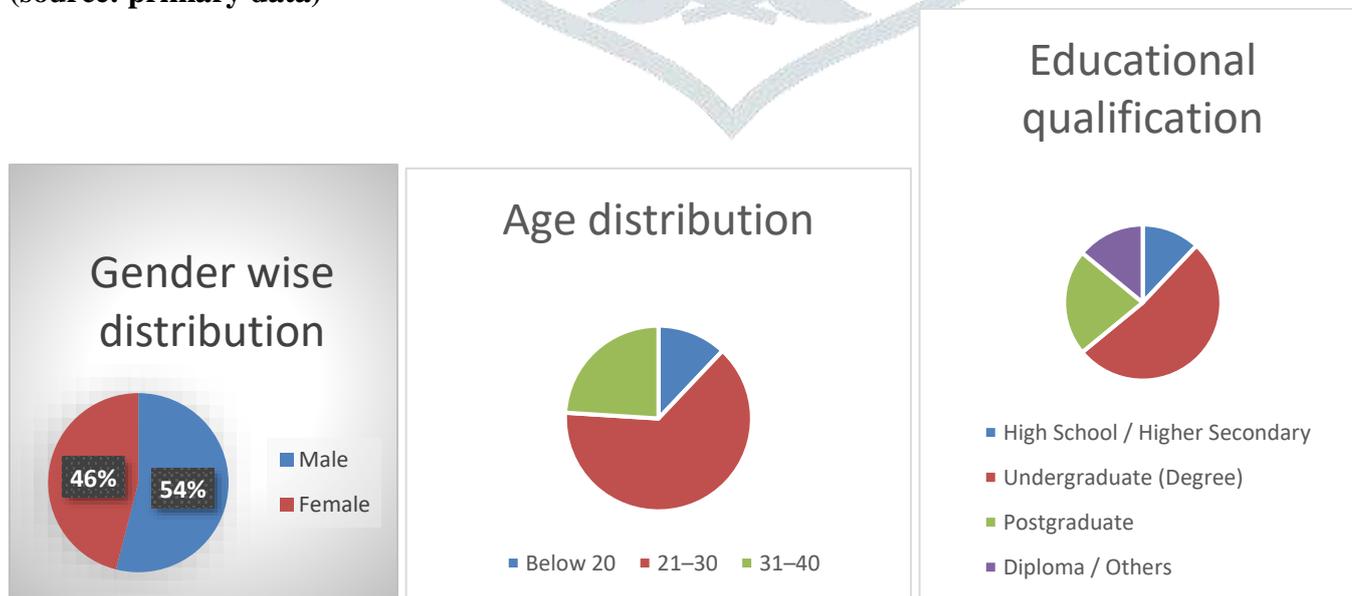
Demographic classification

Gender	No. of Respondents	Percentage
Male	27	54%
Female	23	46%

Age	No. of Respondents	Percentage
Below 20	6	12%
21–30	32	64%
31–40	12	24%

Educational Qualification	No. of Respondents	Percentage
High School / Higher Secondary	6	12%
Undergraduate (Degree)	26	52%
Postgraduate	11	22%
Diploma / Others	7	14%

(source: primary data)



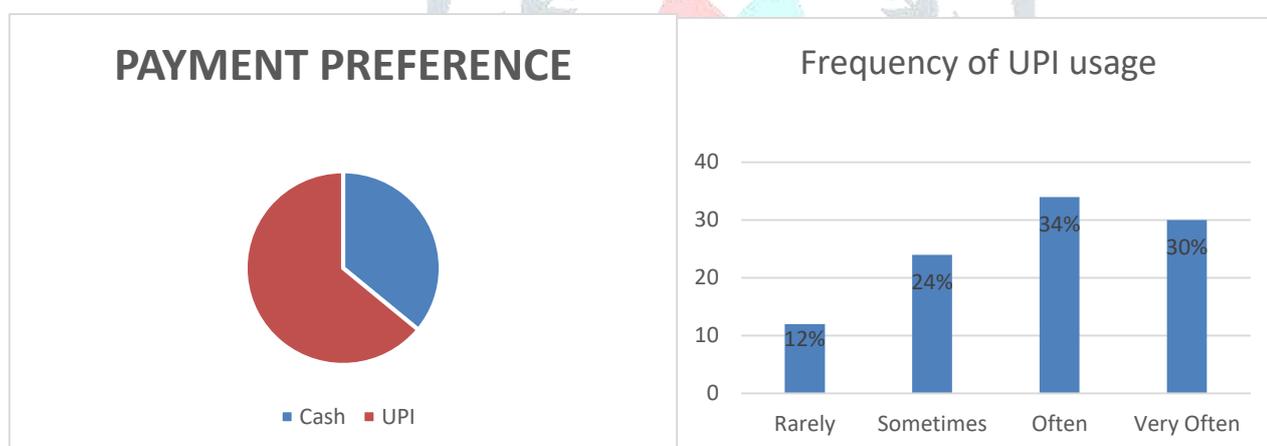
Interpretation

The demographic details show that most of the respondents are in the 21–30 age group (64%), which indicates that young adults are the primary users of UPI. A smaller share belongs to the 31–40 age group (24%), and 12% are below 20 years. The gender distribution is fairly balanced, with 54% male and 46% female respondents. In terms of education, more than half of the respondents are graduates (52%), followed by postgraduates (22%), while a smaller proportion have completed only higher secondary (12%) or hold a diploma/other qualification (14%). This suggests that UPI is mainly adopted by younger and better-educated sections of society.

Respondents preference for payment methods and UPI usage frequency

Mode of Payment	No. of Respondents	Percentage
Cash	18	36%
UPI	32	64%
Frequency	No. of Respondents	Percentage
Rarely	6	12%
Sometimes	12	24%
Often	17	34%
Very Often	15	30%

(source: primary data)



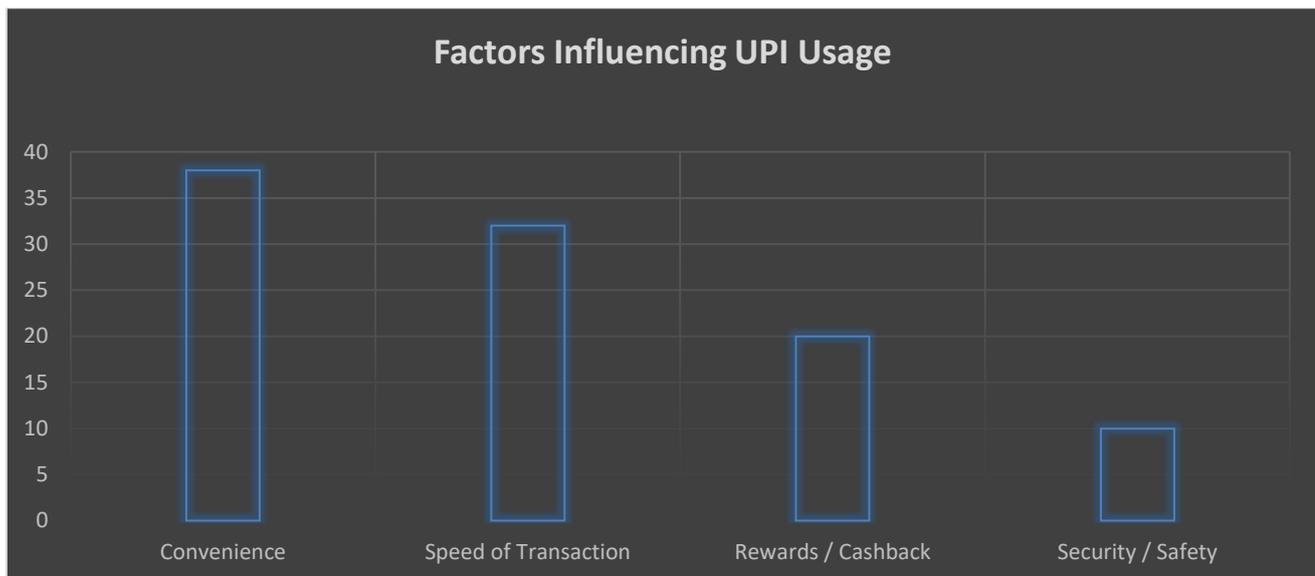
Interpretation

The data shows that UPI is the most preferred mode of payment among respondents, with 64% using it compared to 36% who still rely on cash. This highlights the growing shift towards digital transactions, although cash continues to hold importance for a significant section. In terms of usage frequency, 34% of the respondents reported that they often use UPI and another 30% use it very often. A smaller group uses it sometimes (24%) or rarely (12%). These findings suggest that UPI has become a regular part of daily payments for most people, while a few still use it occasionally or prefer to stick with cash.

Factors influencing UPI usage

Factor	No. of Respondents	Percentage
Convenience	19	38%
Speed of Transaction	16	32%
Rewards / Cashback	10	20%
Security / Safety	5	10%

(source: primary data)



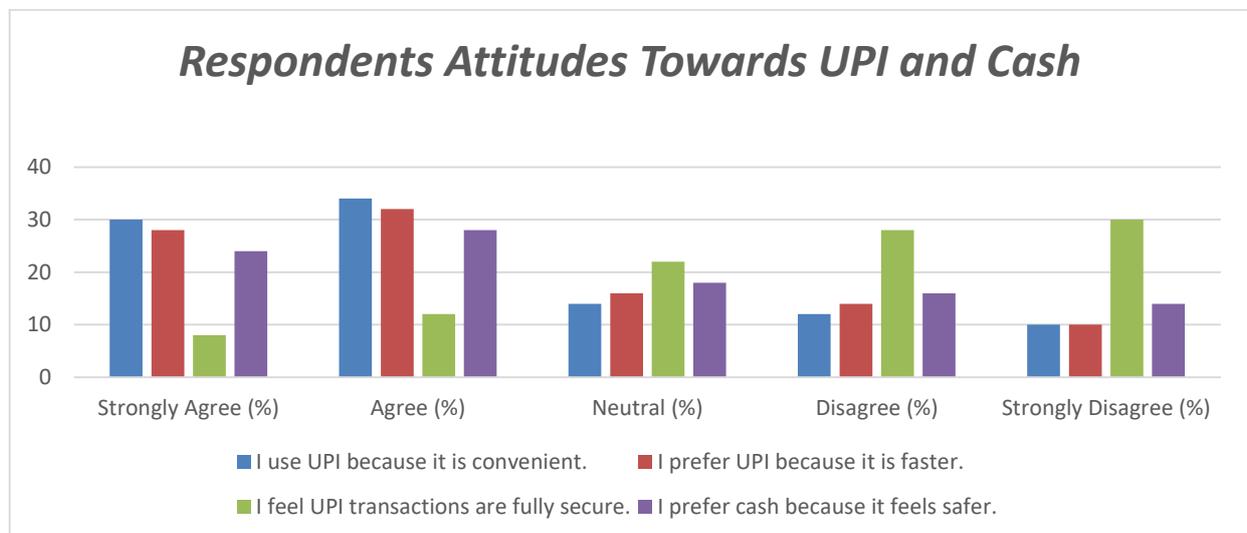
Interpretation

The data shows that most respondents prefer UPI mainly because of convenience (38%) and speed of transactions (32%). Rewards and cashback influence 20% of the users, while only 10% consider security and safety as the main factor. This suggests that people value quick and easy transactions more than other benefits, and security is not yet seen as a strong reason for choosing UPI.

Respondents attitudes towards UPI and cash payments

Statement	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
I use UPI because it is convenient.	15 (30%)	17 (34%)	7 (14%)	6 (12%)	5 (10%)
I prefer UPI because it is faster.	14 (28%)	16 (32%)	8 (16%)	7 (14%)	5 (10%)
I feel UPI transactions are fully secure.	4 (8%)	6 (12%)	11 (22%)	14 (28%)	15 (30%)
I prefer cash because it feels safer.	12 (24%)	14 (28%)	9 (18%)	8 (16%)	7 (14%)

(source: primary data)



Interpretation

The responses show that most people agree that UPI is convenient and faster, with more than half of the respondents supporting these statements. This confirms that ease of use and speed are the main reasons for choosing UPI. However, views on security are very different. Only a small share felt that UPI is fully secure, while a larger number of respondents disagreed or strongly disagreed, showing a lack of trust in digital safety. At the same time, many respondents agreed that cash feels safer, which explains why cash is still used even though UPI is popular. These findings suggest that while UPI is valued for its speed and convenience, concerns about security continue to influence people's payment choices.

Chi-Square Tests

	Value	df	Asymptotic Significance (2-sided)
Pearson Chi-Square	2.391 ^a	3	.495
Likelihood Ratio	2.582	3	.461
N of Valid Cases	50		

Interpretation

Based on the Chi-Square test of independence, there is no significant association between education level and mode of payment among respondents ($\chi^2 = 2.39$, $df = 3$, $p = 0.495$). This suggests that the choice between Cash and UPI does not depend on a person's education level in this sample.

8. FINDINGS

1. Demographics

- Majority of respondents were aged 21–30 years (64%), showing young adults are the main UPI users.
- Gender split was balanced (54% male, 46% female).
- More than half were graduates (52%), followed by postgraduates (22%).

2. Payment preferences

- 64% prefer UPI while 36% still use cash.
- This indicates a clear shift toward digital payments, but cash remains relevant.

3. Frequency of UPI usage

- 34% use UPI often, 30% very often.
- Only 12% use it rarely, showing UPI is now a part of daily life for most people.

4. Factors influencing UPI adoption

- Convenience (38%) and Speed (32%) are the strongest motivators.
- Rewards/Cashback (20%) also matter, but less.
- Only 10% prioritize security, suggesting safety concerns are not the main driver for adoption.

5. Attitude towards UPI vs cash

- Majority agreed that UPI is convenient and faster.
- However, trust in UPI security is low – most respondents disagreed that it is fully secure.
- Many still feel cash is safer, which explains its continued use.

6. Chi-Square test result

- No significant relationship between education level and payment preference ($p = 0.495$).

9. CONCLUSION

This study clearly shows that UPI has become a common mode of payment among people, with most respondents preferring it for daily transactions because it is fast and convenient. At the same time, cash still plays an important role, as many continue to trust it more for safety. The findings also reveal that while rewards and cashback attract some users, they are not as strong a reason as convenience and speed. Some of the respondents expressed doubts about the security of UPI, and more than half agreed that cash feels safer, which explains why digital payments have not fully replaced traditional money. The chi-square test result further confirms that education level does not affect payment choice, showing that both UPI and cash are used across groups. Overall, India is moving toward digital payments, but cash remains strong due to security concerns and habits formed over time.

10. REFERENCE

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