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A STUDY ON THE IMPACT OF DIGITAL PAYMENT APPS ON SPENDING BEHAVIOUR OF YOUTH IN INDIA

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Abstract: This study examines how digital payment apps influence the spending behaviour of youth in India. With the rapid growth of platforms like Google Pay, Phone Pe, and Paytm, young consumers have shifted from cash to convenient cashless transactions. The research highlights that while digital payments promote financial inclusion and ease of transactions, they also encourage impulsive and frequent spending. Data was collected through a structured questionnaire from young users aged 18–30 years to analyse adoption patterns, spending habits, and financial awareness. The findings suggest a need for financial education and app-based spending control features to promote responsible usage.

Keywords: Digital payments, Youth spending behaviour, financial literacy, Consumer behaviour, Cashless economy.

1. INTRODUCTION:

1.1 Background of the Study

India's financial ecosystem has undergone a dramatic transformation in the past decade, largely due to the emergence and rapid growth of digital payment applications such as Google Pay, Phone Pe, Paytm, Amazon Pay, and Bharat Pe. These applications have made monetary transactions faster, safer, and more convenient, empowering individuals to pay bills, transfer money, shop online, and even invest—all from their smartphones. These platforms have not only revolutionized the way people transact but have also significantly influenced the financial behaviour of the young generation. With the government's push toward a cashless economy and the widespread availability of smartphones and internet connectivity, digital payments have become an integral part of daily life for India's youth.

1.2 Significance of Digital Payment Apps

Digital payment apps enable instant, convenient, and secure transactions that eliminate the need for physical cash. Their attractive features—such as cashback offers, reward points, and user-friendly interfaces—have made them highly popular among young consumers. However, this growing reliance on digital transactions has also brought a significant change in their spending behaviour. Many young users are now more inclined toward impulsive purchases and online spending, often without realizing the cumulative impact on their financial discipline.

1.3 Relevance of the Study

This study, therefore, aims to explore how digital payment apps influence the spending behaviour of youth in India. It focuses on identifying the motivational -factors behind app usage, understanding how these platforms influence financial decisions, and exploring the psychological and behavioural outcomes of a cashless lifestyle. By analysing these dimensions, the research intends to highlight how digital financial tools are not only transforming India's economy but also reshaping the consumption patterns, saving habits, and overall financial mindset of the modern Indian youth.

The increasing reliance on digital payment platforms reflects not only technological progress but also a deeper behavioural transformation among India's youth. As financial transactions become more virtual and effortless, the boundary between essential and non-essential spending often begins to blur. This shift highlights the need to promote awareness about mindful spending and digital financial literacy. By studying these patterns, this research aims to provide insights that can help individuals, educators, and policymakers encourage responsible financial behaviour while continuing to support India's journey toward a fully digital economy.

2. OBJECTIVES & SCOPE OF THE STUDY:

A. Objective of the study: The study aims to understand how digital payment apps affect the spending habits of youth in India. It also seeks to identify the factors driving app adoption and examine how demographic differences influence usage and financial behaviour.

1. To examine the influence of digital payment apps on the spending patterns of Indian youth.
2. To identify the key factors motivating youth to adopt digital payment apps.
3. To explore the behavioural trends and psychological effects of cashless transactions on youth spending habits.

3. SCOPE OF THE STUDY:

Scope of the study: This research focuses on examining the role of digital payment apps in shaping the financial habits of Indian youth. It highlights the growing influence of technology on cashless transactions and explores the patterns and tendencies that emerge as more young consumers shift to digital payments.

1. This study explores the changing spending habits of youth in a digital economy.
2. It also highlights the adoption and usage trends of digital payment apps among young consumers.

It examines the broader impact of digital payments on financial awareness and behaviour.

4. LITERATURE REVIEW:

Bhatia-Kalluri, A., & Caraway, B. R. (2023).
Journal of Asian Business and Economic Studies, 30(4), 512–528.
They documented how Paytm's ecosystem (payment + commerce + financial services) increased transaction frequency among youth users; the integration of offers/fin-services encouraged higher spending beyond just payments.

Chawla, D., & Joshi, H. (2020)
Journal of Internet Commerce, 19(2), 125–145.
They found distinct user segments among mobile wallet users in India, with younger, tech-savvy segments showing higher usage frequency and willingness to adopt new features; convenience and peer influence emerged as strong predictors of usage in these segments.

Paldon, T., Upadhaya, S., & Mohanty, S. (2022).
International Journal of Science and Research (IJSR), 13(3).
This study found that convenience, app-based rewards, security, and peer influence are the primary drivers for adoption, highlighting that user-friendly interfaces and trustworthiness significantly affect young consumers' digital payment behaviour.

Barodawala, S. H. (2025)
International Journal of Creative Research Thoughts (IJCRT), 13(2), 1–8.
Finds that a large majority of young respondents use digital payment apps and that about two-thirds report increased spending and more unplanned purchases when using these apps. The study highlights convenience and promotional offers as key triggers for higher youth spending.

Khan, A. R. (2023)
International Journal of Marketing Studies, 15(3), 90–102.
They reported that digital payment usage correlates with higher discretionary spending, especially among urban youth; but they also found a segment of users who actively use app-based tracking to control their spending.

5. RESEARCH METHODOLOGY:

This study follows a descriptive research design, aimed at explaining the influence of digital payment applications on the spending habits of Indian youth.

4.1 Data Collection

Primary Data: Collected through a structured questionnaire containing multiple-choice and open-ended questions to gather firsthand information on user behaviour.

Secondary Data: Gathered from existing literature such as journals, research papers, reports, and credible online publications related to digital payment systems and consumer behaviour.

4.2 Sample Design

Sample size: 100 respondents
Sampling technique: Convenience Sampling Method
Sampling Area: Selected urban, semi-urban and rural regions of India
Population: The sample mainly comprises college students, young professionals, and self-employed youth who actively use digital payment apps.

4.3 Tools for Analysis

- The collected data was analysed using percentage analysis.
- Tabular presentation is used for the better representation of data.
- Thematic Analysis of qualitative data i.e. open-ended responses

6. DATA ANALYSIS & INTERPRETATION:

2.1 Demographic Insights

- **Gender:** A balanced representation of male (57%) and female (43%) participants was achieved, ensuring gender diversity.
- **Age:** 70% of respondents are aged 18–22 years, making them the dominant users of digital payment apps, 14% are below 18 years, 12% are between 23–26 years, and 4% are above 26 years, indicating that digital payment usage is highest among younger youth and gradually declines with age.
- **Place of residence:** 61% of respondents reside in urban areas, followed by 22% from rural and 17% from semi-urban regions, indicating that digital payment app usage is more prevalent among urban youth due to better internet access and technological exposure.

2.2 Monthly Income or Allowance Range

Income/Allowance Range (INR)	**Number of Respondents (out of 100)**	**Percentage (%)**
Below ₹10,000	64	64%
₹10,000 – ₹20,000	12	12%
₹20,000 – ₹30,000	11	11%
Above ₹40,000	13	13%
Total	**100**	**100%**

Interpretation: The table indicates that 64% of respondents earn or receive less than ₹10,000 per month, showing a majority of students or low-income youth. Meanwhile, only 13% earn above ₹40,000, reflecting that higher income groups are relatively fewer in this study sample.

5.3 How frequently do you use digital payment apps (e.g., google pay, Phone Pe, etc.)?

Frequency of Using Digital Payment Apps	**No. of Respondents**	**Percentage (%)**
Daily	58	58%
Weekly	16	16%
Occasionally	13	13%
Rarely	13	13%
Total	**100**	**100%**

Interpretation: The data shows that 58% of respondents use digital payment apps daily, indicating high engagement and reliance on these platforms, while only 13% each use them occasionally or rarely, reflecting limited but existing casual users.

5.4 What is your primary reason for using digital payment apps?

Primary Reason for Using Digital Payment Apps	**Number of Respondents**	**Percentage**
Convenience and speed	54	54%
Avoid carrying cash	35	35%
Cashback and offers	9	9%
Peer or social influence	2	2%
Total	**100**	**100**

Interpretation: The chart shows that 54% of people use digital payment apps for convenience and speed, while 35% use them to avoid carrying cash. Only 9% prefer them for cashback and offers.

5.5 Did you spending increased after you started using digital payment apps?

Increase in Spending	Number of Respondents	Percentage
Yes, significantly	54	54%
Slightly increased	27	27%
No change	19	19%
Decreased	0	0%
Total	**100**	**100**

Interpretation: The table reveals that 54% of respondents experienced a significant rise in spending after using digital payment apps, while 27% noticed a slight increase and 19% saw no change. This suggests that digital payments have generally encouraged higher spending among users.

5.6 Do you feel digital payments make it harder to track or control your expenses?

Level of Agreement	Number of Respondents	Percentage
Strongly Agree	20	20%
Agree	42	42%
Neutral	34	34%
Disagree	3	3%
Strongly Disagree	1	1%
Total	**100**	**100**

Interpretation: A majority (62%) of respondents agree or strongly agree that digital payments make it harder to track or control expenses, while 34 remained neutral, only a small portion around 4% disagreed. This suggest are psychologically less controllable, leading to reduced spending awareness.

5.7 How often do you make impulse purchase using digital payments (buying without prior planning)

Frequency of Impulse Purchases (using Digital Payments)	Number of Respondents	Percentage
Very often	31	31%
Sometimes	43	43%
Rarely	15	15%
Never	11	11%
Total	**100**	**100**

Interpretation: 43% respondents sometimes make impulse purchases using digital payments, while 31% do so very often. Only 15% rarely and 11% never make unplanned purchases, showing that over 70% engage in impulsive digital spending.

7. FINDINGS & SUGGESTIONS

FINDINGS:

Findings:-

- The study included 57% male and 43% female respondents, showing that both genders actively use digital payment apps.
- Most users (70%) are aged 18–22 years, meaning younger youth use these apps the most, while usage drops with age.
- About 61% of respondents live in urban areas, compared to 22% rural and 17% semi-urban, showing that urban youth use digital payments more.
- Around 58% of participants use digital payment apps daily, showing high dependence on cashless transactions.
- Nearly 64% of respondents earn less than ₹10,000 per month, meaning many users are students or from low-income groups.
- The main reason for using digital payments is convenience and speed (54%), followed by avoiding cash (35%) and cashback offers (9%).
- Over 54% said their spending increased after using digital payment apps, while 27% noticed a small rise.
- About 62% of respondents agreed that digital payments make it harder to track expenses, while very few disagreed.
- Around 74% of respondents (43% sometimes, 31% very often) said they make impulsive purchases using digital payments.
- Overall, the study found that digital payments bring ease and convenience, but also lead to higher and less-controlled spending among youth.

SUGGESTIONS:

- Digital payment apps should include features like spending limits, weekly/monthly summaries, and alerts to help users manage impulsive spending.
- Apps can allow users to record cash or offline payments, giving them a full picture of their spending and helping them manage money better.
- Incorporate features like reminders or confirmation prompts for purchases to reduce impulsive behaviour.
- App developers can integrate interactive budgeting tools, visual expense trackers, and reminders so youth can monitor and control their digital expenditures.
- Awareness regarding cybersecurity and data privacy should be increased to ensure safer online transactions.
- Educational institutions and fintech companies should conduct workshops and webinars on responsible spending and financial literacy.

8. LIMITATIONS

- The sample size was limited, which reduces the ability to generalize findings to the entire youth population of India.
- The study did not incorporate actual transaction data from digital payment platforms, which could have validated behavioural patterns more accurately.
- The study was conducted within a limited time frame, restricting longitudinal analysis of behavioural changes over time.
- The study focused only on individuals aged 18–30,which narrows the scope to a specific demographic group.
- The study did not consider the influence of educational background or occupation, which can significantly shape financial behaviour and digital literacy.

9. CONCLUSION

The study concludes that digital payment apps have become an integral part of youth life, offering speed, convenience, rewards and security in daily transactions. However, the findings reveal that easy access to digital money often leads to higher spending and impulsive buying. While most young users appreciate the comfort of cashless payments, many struggle to maintain control over expenses. Therefore, promoting financial awareness and responsible usage is essential. Overall, digital payments are transforming financial behaviour among youth—encouraging modernization but also demanding mindfulness and self-discipline in managing money.

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