



A Study on the Impact of UPI and Digital Payment system on the Spending Behaviour of college students

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Abstract

The adoption of Unified Payments Interface (UPI) and other digital payment platforms has grown rapidly among young consumers in India, particularly students. This study explores how UPI affects students' spending behavior, impulsive purchasing tendencies, savings habits, and financial discipline. Primary data were collected from 120 students using a structured questionnaire. The findings indicate that UPI increases convenience and reduces reliance on cash, while also contributing to a higher frequency of impulsive purchases. Features such as cashback rewards, instant payments, and easy accessibility drive its widespread use. Despite its popularity, students remain concerned about overspending and potential fraud. Overall, UPI enhances financial convenience but also shapes students' financial behavior in notable ways.

Keywords: *UPI, Digital Payments, Spending Behavior, Students, FinTech*

Introduction

The rapid advancement of financial technology has significantly transformed the payment landscape in India. One of the most impactful innovations in this domain is the Unified Payments Interface (UPI), which has revolutionized the way individuals conduct financial transactions. Introduced with the objective of promoting a cashless economy, UPI enables instant, secure, and seamless money transfers through mobile applications. Its widespread acceptance has reshaped payment habits across various segments of society, particularly among young consumers.

Students represent one of the most active user groups of digital payment platforms due to high smartphone penetration, internet accessibility, and technological adaptability. UPI applications such as Google Pay, PhonePe, and Paytm have become an integral part of students' daily lives, facilitating payments for food, transportation, online shopping, education-related expenses, and peer-to-peer transfers. The ease and speed of UPI transactions have not only enhanced convenience but have also influenced students' spending decisions and financial behaviour.



Traditional cash-based transactions often create a psychological barrier that encourages cautious spending. In contrast, digital payments reduce the perceived “pain of paying,” potentially leading to increased frequency of transactions and impulsive purchasing behaviour. Students, who are in a formative stage of developing financial habits, may be particularly susceptible to these behavioural changes. While UPI offers significant advantages such as transparency, efficiency, and financial inclusion, concerns related to overspending, lack of budgeting discipline, and security risks cannot be ignored.

This study aims to examine the impact of UPI and digital payments on student spending behaviour using primary data. Using primary data collected from students, the research explores usage patterns, spending tendencies, and perceptions related to digital payments. The findings aim to provide useful insights into student financial behaviour and highlight the importance of promoting responsible usage and financial awareness in a rapidly digitalizing economy.

Objectives of the Study

- To check whether there is a shift in the behavior of students to UPI instead of cash payment.
- To understand the level of UPI and digital payment usage among students.
- To evaluate the perceived benefits and risks (security/privacy) associated with digital payments.
- To study the level of dependence of students on UPI and digital payment platforms for day-to-day transactions.

REVIEW OF LITERATURE

Dr. Renuka Kasera and Dr. Sudip Banerjee (2023), in their study “*A Study on Student Behaviour Towards Digital Payments*”, stated that students in India are rapidly shifting from cash to digital payment modes such as UPI and mobile wallets due to convenience and ease of use. The study found that digital payments encourage frequent spending, though concerns about security and overspending were noted.

Dr. Abdullah Raheel Khan (2023), in his study “*A Study of Consumer Behaviour in India with Respect to Digital Payments*”, stated that digital payments, particularly UPI, have gained wide acceptance because of speed, convenience, and cashback offers. However, issues related to trust and security continue to influence consumer behaviour.

Dr. Senthamizh Veena and Epsheeba (2023), in their study “*A Study on Digital Payment Usage among the Student Community in Tiruchirappalli City of Tamil Nadu*”, stated that students prefer digital payments for daily transactions due to simplicity and easy accessibility. The study also highlighted concerns regarding security and overspending.

Dr. Harshal Dev, Dr. Raj Gupta, and Dr. Dhruv Kumar (2024), in their paper “*From Cash to Cashless: UPI’s Impact on Spending Behavior among Indian Users*”, stated that UPI has increased transaction frequency by enabling quick and effortless payments, thereby reducing dependence on cash and influencing spending habits.

Dr. Madhura Deshpande and Dr. Hardik Dhoka (2025), in their study “*An Analytical Study of Use of UPI Payment Gateways among Post Graduate Students in PCMC*”, stated that postgraduate students widely prefer UPI due to its user-friendly interface and instant payment features, though concerns related to security and technical issues were observed.



Research Methodology

The present study is conducted to analyze the impact of UPI and digital payments on student spending behaviour. The research methodology explains the sources of data, sampling design, sample size, and tools used for the analysis of data.

Research Design

The study adopts a **descriptive research design** to understand the spending behaviour of students and their usage of UPI and digital payment platforms.

Population of the Study

The population of the study consists of students who actively use UPI and digital payment platforms for their day-to-day transactions.

Sample Size

A sample of **120 students** was selected for the purpose of the study.

Sampling Technique

Convenience sampling technique was used to select the respondents for the study, as it enabled easy access to students using digital payment applications.

Sources of Data

Primary Data:

Primary data were collected through a **structured questionnaire** distributed to students using Google Forms.

Secondary Data:

Secondary data were collected from **journals, research articles, books, websites, and published reports** related to digital payments and consumer spending behavior and is used for constructing Hypothesis.

Tools Used

The following statistical tools were used for analyzing the data with the help of SPSS software:

1. Percentage Analysis
2. Descriptive Statistics
3. Chi-Square Test
4. Correlation Analysis
5. Reliability Test (Cronbach's Alpha)



Findings

1. From the sample of 120 respondents, the majority of students regularly use UPI and digital payment platforms for their daily transactions.
2. Most respondents preferred UPI over cash due to its convenience, speed, and ease of use.
3. A significant number of students use UPI for expenses such as food, transportation, online shopping, and peer-to-peer transfers.
4. The study revealed that frequent use of UPI has increased the number of transactions made by students.
5. Many respondents agreed that digital payments encourage impulsive purchasing behaviour due to the ease of instant payments.
6. Cashback offers and promotional rewards were identified as major factors influencing increased usage of UPI among students.
7. Despite high adoption, a considerable proportion of students expressed concerns about overspending and lack of spending control.
8. Security and fraud-related concerns were also reported by several respondents while using digital payment platforms.
9. The study found a noticeable shift from cash-based payments to digital payments among students.
10. Overall, UPI has significantly influenced students' spending behaviour and payment preferences.

Suggestions

1. Students should consciously monitor their spending while using UPI to avoid impulsive and unnecessary purchases.
2. Digital payment platforms should provide better tools for expense tracking and spending alerts to help users manage their finances.
3. Awareness regarding safe digital payment practices should be encouraged to reduce security and fraud-related risks.
4. Cashback and promotional offers should be used wisely and not be the sole reason for increased spending.
5. Educational institutions can encourage discussions and awareness programs on responsible digital payment usage among students.

Conclusion

The study concludes that Unified Payments Interface (UPI) and digital payment platforms have become an integral part of students' daily financial activities. The convenience, speed, and accessibility of UPI have significantly reduced dependence on cash and influenced students' spending behaviour. While digital payments make transactions easier and more efficient, they also encourage frequent and impulsive spending among students. Although concerns related to overspending and security persist, the overall perception of UPI remains positive. The findings of the study highlight that digital payments have transformed student spending behaviour and will continue to play a vital role in the evolving digital economy.



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Questionnaire