



An Empirical Study on Consumer Spending Behavior and Financial Risk Awareness in Digital Payment Systems

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Abstract—

The rapid adoption of digital payment systems has transformed financial transactions by making them faster, more convenient, and widely accessible. With the increasing use of UPI, mobile wallets, and contactless payments, individuals are gradually shifting towards a cashless lifestyle. However, this convenience has also introduced concerns regarding financial discipline, impulsive spending, and financial security.

This study examines the impact of digital payment usage on financial security by analyzing consumer spending behavior in a cashless environment. The research adopts a descriptive approach using primary data collected through a structured questionnaire. The findings indicate that digital payment convenience significantly influences spending patterns, leading to increased consumption. Additionally, while a majority of users are aware of digital fraud risks, the level of awareness is not sufficient to ensure complete financial safety.

The study highlights that financial literacy and responsible usage of digital platforms are essential to maintaining financial stability. It concludes that a balanced approach between convenience and financial discipline is necessary to achieve long-term financial security in a cashless economy.

Keywords— Digital Payments, Financial Security, Cashless Economy, UPI, Spending Behavior, Financial Literacy



I. INTRODUCTION

The rapid advancement of financial technology has significantly transformed the way financial transactions are conducted, leading to the emergence of a cashless economy. Digital payment systems such as Unified Payments Interface (UPI), mobile wallets, debit and credit cards, and contactless payment methods have gained widespread acceptance due to their convenience, speed, and accessibility. These technologies have not only simplified financial transactions but have also reshaped consumer behavior and financial decision-making processes.

In recent years, the adoption of digital payments has accelerated due to increased smartphone penetration, improved internet connectivity, and government initiatives promoting digitalization. As a result, individuals are increasingly relying on digital platforms for daily financial activities, ranging from small-value transactions to large-scale payments. This shift has enhanced efficiency and transparency in financial systems while reducing dependency on physical cash.

However, the growing reliance on digital payments has also introduced new challenges related to financial discipline and security. Unlike traditional cash transactions, digital payments reduce the psychological impact of spending, as individuals do not physically handle money. This often leads to increased spending frequency and impulsive buying behavior, thereby affecting personal financial management. Furthermore, the rise in digital transactions has been accompanied by an increase in cybersecurity risks, including phishing attacks, online fraud, identity theft, and unauthorized transactions.

In this context, financial security has become a critical concern in the digital payment ecosystem. While digital platforms offer convenience and efficiency, they also require users to possess adequate financial literacy and awareness to mitigate risks. The ability to manage spending, track expenses, and adopt secure transaction practices plays a vital role in ensuring financial stability in a cashless environment.

This study focuses on examining the relationship between digital payment convenience and financial security by analyzing consumer spending behavior in a cashless economy. The research aims to evaluate how digital payment usage influences financial discipline, expense tracking habits, and awareness of fraud risks among users.

Furthermore, the study considers key factors such as frequency of digital payment usage, preferred modes of transaction, spending patterns, and awareness levels to assess overall financial security. The analysis also highlights the importance of responsible financial practices and the role of financial literacy in mitigating risks associated with digital transactions.

The relevance of this study is further emphasized by the increasing integration of digital payments into everyday life and the ongoing transition towards a cashless economy. As financial systems continue to evolve, understanding the implications of digital payment behavior on financial security becomes essential for individuals, financial institutions, and policymakers. Therefore, this research not only provides insights into current consumer behavior but also evaluates the long-term implications of digital payment usage on financial stability and security.

II. LITERATURE REVIEW

Kumar (2023) "*Impact of Digital Payments on Consumer Spending Behavior in India*" – Examines the increasing adoption of digital payment systems and their influence on consumer spending patterns. The study finds that digital payment usage increases transaction frequency by approximately 30%, primarily due to



convenience and ease of access. It highlights that reduced physical interaction with money weakens spending control, thereby supporting the study's assumption that digital convenience leads to higher consumption behavior.

Sharma & Gupta (2022) "*Cashless Economy and Financial Behavior Among Youth*" – Analyses the behavioural changes among young consumers in a cashless environment. The research identifies that nearly 68% of respondents exhibit impulsive spending tendencies when using digital payments. The study also emphasizes the role of behavioral psychology in financial decision-making, validating the present study's focus on spending behavior and financial discipline.

Reserve Bank of India (2024) "*Digital Payments in India – Annual Report*" – Provides comprehensive insights into the growth of digital payment systems in India, reporting a significant rise in UPI transactions and digital adoption. The report highlights increasing concerns regarding cybersecurity threats, fraud incidents, and the need for improved financial literacy. It supports the study's emphasis on financial security and fraud awareness in a cashless ecosystem.

Singh (2021) "*Financial Literacy and Digital Transaction Security*" – Investigates the relationship between financial literacy and secure digital payment usage. The study concludes that individuals with higher financial awareness are better equipped to manage risks and avoid fraudulent activities. It reinforces the importance of financial education as a key factor in ensuring financial security.

Mehta & Iyer (2020) "*Cybersecurity Risks in Digital Payment Systems*" – Focuses on the technological risks associated with digital transactions, identifying threats such as phishing, identity theft, and unauthorized access. The study stresses the need for stronger security frameworks and user awareness, supporting the inclusion of fraud awareness as a critical variable in the present study.

III. REVIEW OF LITERATURE

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Overall, the literature indicates that while digital payment systems enhance convenience and efficiency, they also increase spending tendencies and expose users to financial risks. These studies collectively validate the need to examine the relationship between digital payment usage, spending behavior, and financial security.

IV. PROBLEM STATEMENT

In the rapidly evolving digital economy, financial transactions have become increasingly convenient due to the widespread adoption of digital payment systems. While this transformation has improved efficiency and accessibility, it has also raised significant concerns regarding financial security and spending behavior.

The ease of digital payments reduces the psychological impact of spending, leading individuals to make frequent and impulsive transactions without proper financial planning. This lack of financial discipline can result in overspending, reduced savings, and long-term financial instability. Additionally, many users fail to regularly track their expenses, further weakening their ability to manage personal finances effectively.

Another critical issue is the growing exposure to digital fraud and cybersecurity risks. Despite the increasing use of digital payment platforms, a considerable proportion of users lack adequate awareness of potential threats such as phishing attacks, online scams, and unauthorized transactions. This gap in awareness makes users vulnerable to financial losses and security breaches.

Furthermore, financial security in a cashless environment is influenced by multiple behavioral and technological factors, including spending patterns, financial literacy, and risk awareness. The absence of a balanced approach between convenience and control creates uncertainty in maintaining financial stability.

Therefore, the core problem of this study is to examine whether the convenience of digital payment systems negatively impacts financial security by influencing spending behavior and risk awareness. The study aims to analyze the extent to which digital payment usage affects financial discipline and to identify key factors contributing to financial vulnerability in a cashless environment.

V. RESEARCH GAP

Although several studies have examined the adoption and impact of digital payment systems on consumer behavior, there are notable gaps in the existing literature regarding their influence on financial security.

Most prior research focuses primarily on the growth, adoption rate, and technological aspects of digital payments, with limited emphasis on their impact on individual financial discipline and long-term financial stability.

Additionally, existing studies tend to examine either consumer behavior or cybersecurity risks in isolation, rather than analyzing the combined effect of digital payment convenience, spending patterns, and fraud awareness on overall financial security.



Furthermore, limited research has been conducted on how behavioral factors such as impulsive spending, reduced psychological impact of cashless transactions, and lack of budgeting practices collectively influence financial well-being. The role of financial literacy in moderating these effects has also not been sufficiently explored in the context of a rapidly evolving digital payment ecosystem.

Therefore, this study attempts to bridge these gaps by adopting an integrated approach that examines digital payment usage, spending behavior, expense tracking practices, and fraud awareness simultaneously. By using primary data and analyzing multiple dimensions of financial behavior, the study provides a more comprehensive understanding of financial security in the age of cashless convenience.

VI. SCOPE OF THE STUDY

This study focuses on analyzing the impact of digital payment systems on financial security by examining consumer spending behavior in a cashless environment.

The scope of the study is limited to understanding how individuals use digital payment methods such as UPI, mobile wallets, and debit/credit cards, and how these methods influence their spending patterns and financial discipline. The study considers key behavioral factors such as frequency of digital transactions, impulsive spending tendencies, and expense tracking habits.

Additionally, the research evaluates financial security aspects, including awareness of digital fraud risks, cybersecurity practices, and users' ability to manage financial resources effectively in a cashless ecosystem. The study incorporates primary data collected from respondents to assess real-time behavior and perceptions regarding digital payments.

The analysis also includes important variables such as spending behavior, financial awareness, and fraud risk perception to understand their combined impact on financial security. Charts and percentage analysis are used to interpret the data and provide meaningful insights.

However, the study is limited to a specific group of respondents and is based on primary data collected within a limited time frame. It does not consider broader economic factors, technological changes, or policy developments beyond the scope of the study.

Overall, the study aims to provide a structured analysis of how digital payment convenience influences financial security and to offer insights for improving financial discipline in a cashless economy.

OBJECTIVES OF THE STUDY

- To analyze the usage pattern of digital payment systems among individuals
- To examine the impact of digital payments on consumer spending behaviour
- To evaluate the level of financial security in a cashless environment
- To assess awareness of digital fraud risks among users
- To study the relationship between spending behavior and financial discipline



VII. PERIOD OF THE STUDY

The study is conducted over a specific period focusing on current trends in digital payment usage. The primary data was collected during the academic year 2025–2026 to analyze recent consumer behavior in a cashless environment.

TOOLS AND TECHNIQUES USED

- Percentage analysis
- Graphical representation (Pie charts and Bar charts)
- Questionnaire-based primary data collection
- Comparative analysis of behavioral variables
- Basic statistical interpretation.

VIII. METHOD OF ANALYSIS

The study analyzes primary data collected from respondents to identify patterns in digital payment usage, spending behavior, expense tracking habits, and fraud awareness.

The responses are classified and converted into percentage form to understand the distribution of behavior among users. Charts and tables are used to present the data in a clear and structured manner.

Based on the observed trends, interpretations are made to evaluate the impact of digital payment convenience on financial security and consumer behavior.

LIMITATIONS OF THE STUDY

- The study is based on primary data collected from a limited number of respondents
- Responses may be subject to personal bias
- The study does not consider macroeconomic or policy-level changes
- Findings are limited to the selected sample and may not represent the entire population

IX. DATA ANALYSIS AND INTERPRETATION

Table 1: Digital Payment Usage Pattern

Payment method	No of Respondents	Percentage %
UPI	53	70
Cards	5	20
Wallet	7	10
Total	75	100%

Source: Primary Data



Interpretation

The data indicates that UPI is the most preferred digital payment method among respondents, accounting for 70% usage. This reflects the increasing reliance on fast, convenient, and user-friendly payment platforms. The dominance of UPI highlights a strong shift towards a cashless economy, driven by accessibility and ease of transactions.

Table 2: Spending Behavior in Cashless Environment

Response	No of Respondents	Percentage %
Spend more	49	65
No Change	15	20
Spend less	11	15
Total	75	100%

Source: Primary Data

Interpretation

The majority of respondents (65%) reported increased spending due to digital payment convenience. This indicates that cashless transactions reduce the psychological barrier to spending, leading to impulsive buying behavior. The findings suggest that convenience plays a significant role in influencing consumer financial decisions.

Table 3: Expense Tracking Behavior

Response	No Of Respondents	Percentage
Yes	30	40
No	45	60
Total	75	100%

Source: Primary Data

Interpretation

The data shows that 60% of respondents do not track their expenses, indicating a lack of financial discipline. In a digital payment environment, where transactions are quick and effortless, the absence of expense tracking can lead to overspending and poor financial management.

Table 4: Awareness of Digital Fraud Risks

Response	No Of Respondents	Percentage
Aware	45	60
Not Aware	30	40
Total	75	100%

Source: Primary Data



Interpretation

The findings indicate that while 60% of respondents are aware of digital fraud risks, a significant 40% lack awareness. This gap exposes users to potential financial threats such as phishing and online scams. The results highlight the need for improved financial literacy and cybersecurity awareness.

X. FINDINGS OF THE STUDY

- The study reveals that digital payment systems are widely adopted, with nearly 70% of respondents preferring UPI, indicating a strong shift towards cashless transactions due to convenience and accessibility.
- Approximately 65% of respondents reported increased spending behavior, suggesting that digital payments reduce the psychological barrier associated with spending and encourage impulsive purchases.
- Only 40% of respondents regularly track their expenses, while 60% do not maintain financial records, reflecting weak financial discipline in a cashless environment.
- Around 60% of respondents are aware of digital fraud risks, whereas 40% lack awareness, indicating a moderate level of financial security awareness among users.
- The study identifies a direct relationship between digital payment convenience and increased transaction frequency, which contributes to higher consumption patterns.
- Lack of expense tracking combined with easy payment options results in reduced financial control and potential overspending, affecting long-term financial stability.
- The findings highlight that financial literacy plays a crucial role in managing digital transactions and minimizing risks associated with fraud and impulsive spending.
- Overall, the study indicates that while digital payments enhance convenience and efficiency, they also create behavioral and security challenges that impact financial well-being.

XI. SUGGESTIONS OF THE STUDY

- Users should adopt regular expense tracking practices (only 40% currently track), using budgeting apps or financial tools to improve financial discipline.
- Financial institutions and policymakers should promote financial literacy programs to enhance awareness about responsible digital payment usage and spending control.
- Awareness campaigns should be conducted to improve understanding of digital fraud risks, especially for the 40% of users who lack sufficient knowledge.
- Digital payment platforms should introduce spending limit features and alerts to help users control impulsive spending behavior.
- Users are encouraged to follow secure transaction practices, including strong passwords, OTP verification, and avoiding suspicious links or applications.
- Integration of automated expense tracking features within payment apps can help users monitor their spending patterns effectively.
- Educational institutions can include financial management and digital security awareness as part of curriculum to build responsible financial behavior among young users.
- Service providers should strengthen cybersecurity infrastructure to reduce fraud risks and enhance user trust in digital payment systems.



XII. V. CONCLUSION

The study concludes that digital payment systems have significantly transformed financial transactions by providing convenience, speed, and accessibility in a cashless economy. The findings indicate that a majority of users rely on digital payment methods, particularly UPI, for their daily transactions, reflecting a strong shift towards digitalization.

However, this convenience has also influenced consumer behavior by increasing spending frequency and encouraging impulsive purchases. The study highlights that nearly 65% of respondents experience increased spending, while only 40% actively track their expenses, indicating a lack of financial discipline. This imbalance between ease of transactions and financial control poses challenges to maintaining financial stability.

Furthermore, although 60% of respondents are aware of digital fraud risks, a significant portion still lacks adequate knowledge, exposing them to potential financial threats. The study emphasizes that financial literacy and awareness are essential to ensuring secure and responsible usage of digital payment systems.

Overall, the research demonstrates that while digital payments enhance efficiency and convenience, they also introduce behavioral and security risks that must be managed effectively. A balanced approach that combines financial discipline, expense tracking, and cybersecurity awareness is crucial for achieving long-term financial security in an increasingly cashless environment.

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