



# A Study on Digital Payments and Their Impact on Individual Financial Behavior

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**Abstract** - Digital payments have transformed the financial behavior of individuals by making transactions faster, easier, and more convenient. The growth of Unified Payments Interface (UPI), mobile wallets, internet banking, and QR-code-based systems has significantly changed the way people manage money. This research paper studies the impact of digital payment systems on individual financial behavior, including spending habits, saving patterns, budgeting practices, and financial awareness.

The study is based on both primary and secondary data. Primary data was collected through structured questionnaires from respondents in Pune city. The findings reveal that digital payments increase convenience and encourage cashless transactions. However, excessive ease of spending through digital platforms also leads to impulsive purchases among some users. The study concludes that digital payment systems positively influence financial inclusion and financial management, but there is also a need for greater financial literacy and cybersecurity awareness.

**Keywords:** Digital Payments, UPI, Financial Behaviour, Cashless Economy, Mobile Wallets, Financial Awareness



## INTRODUCTION

The advancement of technology and internet connectivity has brought major changes in the financial sector. One of the most important developments is the rise of digital payment systems. Digital payments refer to financial transactions conducted through electronic modes such as UPI, mobile wallets, debit cards, credit cards, internet banking, and QR-code scanning applications.

In India, the adoption of digital payments increased rapidly after demonetization in 2016 and further expanded due to government initiatives promoting a cashless economy. Platforms such as Google Pay, PhonePe, Paytm, and BHIM UPI have made online transactions simple and accessible for people across urban and rural areas.

Digital payments provide several advantages such as:

- Faster transactions
- Reduced dependency on cash
- Better transaction records
- Increased convenience
- Easy bill payments and fund transfers

At the same time, digital payment systems have also influenced individual financial behavior. People now make purchases more frequently due to the convenience of online payments. Many individuals use digital payment applications for daily expenses such as food delivery, shopping, transport, recharge, and utility bill payments.

Financial behavior refers to how individuals manage their money, including spending, saving, investing, and budgeting decisions. The use of digital payments can positively improve financial discipline by maintaining transaction records and tracking expenses. However, easy access to digital transactions may also encourage impulsive spending and reduce savings among users.

Therefore, it is important to study how digital payment systems affect individual financial behavior. This research aims to analyze the impact of digital payments on spending habits, savings patterns, convenience, and financial awareness among users.

## LITERATURE REVIEW

### 1. Sharma & Gupta (2023) – Growth of Digital Payments

Sharma and Gupta studied the rapid growth of digital payment systems in India. The study found that UPI transactions increased significantly because of smartphone penetration and internet

availability. The researchers concluded that digital payments improved convenience and reduced dependence on physical cash.

### 2. Kumar (2022) – Impact on Spending Habits

Kumar examined the effect of digital payment applications on consumer spending behavior. The study found that users tend to spend more through digital payments because transactions are quick and effortless. Cashback offers and rewards also encourage frequent spending.

### 3. Singh & Verma (2021) – Financial Awareness

Singh and Verma analyzed the relationship between digital payments and financial awareness. The researchers found that digital transaction history helps individuals track expenses and improve budgeting practices. However, a lack of financial literacy remains a challenge among some users.

### 4. RBI Report (2024) – Cashless Economy

According to the Reserve Bank of India report, digital payment systems contribute significantly to economic growth and financial inclusion. The report highlighted the importance of secure payment systems and consumer protection.

### 5. Patil & Joshi (2023) – Security Concerns

Patil and Joshi focused on cybersecurity issues related to digital payments. Their study revealed that users are concerned about fraud, hacking, and privacy risks. Security concerns affect trust and adoption of digital payment systems.

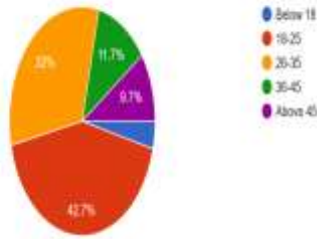
## OBJECTIVES OF THE STUDY

- To study the usage of digital payment systems among individuals.
- To identify the impact of digital payments on spending habits.
- To analyze the influence of digital payments on saving behavior.
- To evaluate customer satisfaction regarding digital payment services.
- To examine security concerns related to digital transactions.



## DATA ANALYSIS AND INTERPRETATION

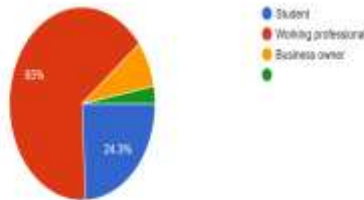
Age  
103 responses



### Interpretation:

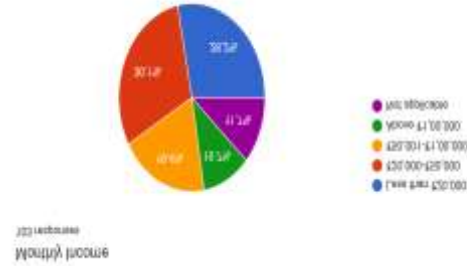
The chart shows that most respondents belong to the **18–25 age group (42.7%)**, indicating that young adults are the highest users of digital payments due to greater technology awareness. The **26–35 age group (32%)** also actively uses digital payments for convenience in daily transactions. Participation from the **36–45** and **above 45** age groups is lower, suggesting less adoption among older individuals. Very few respondents are below 18 years. Overall, digital payment usage is highest among young and working-age people.

Occupation  
923 responses



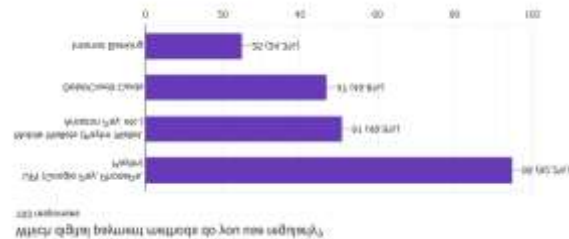
### Interpretation:

The chart shows that most respondents are **working professionals (65%)**, indicating they are the major users of digital payment systems for daily financial transactions. **Students (24.3%)** also actively use digital payments for expenses and online purchases. **Business owners (7.8%)** represent moderate usage, while only a small percentage belongs to other occupations. Overall, digital payment usage is highest among employed individuals and students.



### Interpretation:

The chart shows that the highest number of respondents (**30.1%**) belong to the **₹20,000–₹50,000 income group**, indicating strong digital payment usage among middle-income individuals. Respondents earning **below ₹20,000 (28.2%)** also actively use digital payments due to convenience and accessibility. Around **19.4%** fall in the **₹50,001–₹1,00,000** range, while **10.7%** earn above **₹1,00,000**. Additionally, **11.7%** selected “Not applicable,” mainly representing students or individuals without fixed income. Overall, digital payment usage is common across different income groups.

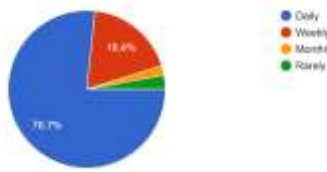


### Interpretation:

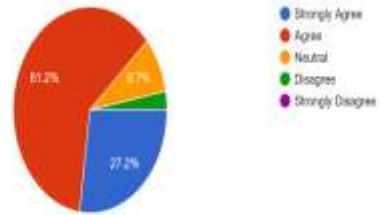
The chart shows that **UPI-based payment methods** are the most preferred, used by **92.2%** of respondents due to their convenience and speed. **Mobile wallets (49.5%)** and **debit/credit cards (45.6%)** are also commonly used for transactions. **Internet banking (24.3%)** is the least preferred method because it is comparatively less convenient. Overall, the data indicates that UPI dominates the digital payment system with its fast and user-friendly features.



How frequently do you use digital payments?  
133 responses



I feel secure while making digital payments.  
102 responses



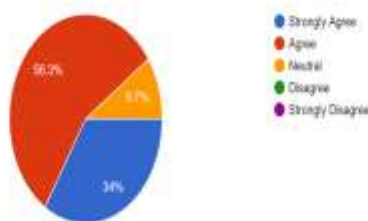
**Interpretation:**

The chart shows that a majority of respondents (76.7%) use digital payments daily, indicating strong dependence on digital payment systems for routine transactions. Around 18.4% use digital payments weekly, showing regular usage among many individuals. Only a small percentage use digital payments monthly or rarely, possibly due to preference for cash or limited digital awareness. Overall, the data highlights the widespread adoption and importance of digital payments in everyday financial activities.

**Interpretation:**

The chart shows that most respondents feel secure while using digital payment systems. Around 61.2% agree and 27.2% strongly agree that digital payments are safe, indicating high trust in security features like OTP and secure gateways. About 8.7% of respondents are neutral, while only a very small percentage disagree. Overall, the data reflects growing confidence and trust in digital payment security among users.

I prefer digital payments over cash for convenience.  
100 responses



**Interpretation:**

The chart shows that most respondents prefer digital payments over cash due to convenience. Around 56.3% agree and 34% strongly agree that digital payments are more convenient. About 9.7% of respondents are neutral, while no respondents disagree with the statement. Overall, the data indicates strong acceptance of digital payments because of their speed, ease, and convenience in daily transactions.

**RESEARCH METHODOLOGY RESEARCH DESIGN:**

Component	Description
Research Design	Descriptive research
Data Collection	Two types of data were used: <b>Primary Data</b> and <b>Secondary Data</b> .
Primary Data	Collected through structured questionnaires.
Secondary Data	Collected from research journals, websites, fintech reports, books, and articles.
Sample Size	The study considered <b>100 respondents</b> from distinctive clients in Pune city.
Sampling Method	<b>Convenience sampling method</b> was used for selecting respondents.
Data Analysis Tools	Data was analyzed using <b>percentage analysis, charts and graphs,</b>



## FINDINGS OF THE STUDY

### **Digital payments are commonly used for daily transactions.**

Most respondents regularly use digital payment applications for shopping, bill payments, recharges, and money transfers.

### **UPI is the most preferred payment method among users.**

UPI applications such as Google Pay, PhonePe, and Paytm are highly popular because they are fast, easy, and convenient to use.

### **Easy online payments sometimes increase spending habits.**

The convenience of one-click payments and online shopping encourages impulsive spending among some users.

### **Transaction history helps users track expenses.**

Digital payment records help individuals monitor their spending and manage their budget more effectively.

### **Cashback and rewards encourage digital payment usage.**

Offers, discounts, and cashback schemes motivate people to use digital payment applications more frequently.

## CONCLUSION

The study concludes that digital payment systems

have significantly influenced individual financial behavior. The adoption of UPI, mobile wallets, and internet banking has increased convenience and reduced dependence on cash transactions. Digital payments have simplified everyday financial activities such as shopping, money transfer, and bill payments.

The research also shows that digital payments positively contribute to financial inclusion and expense tracking. However, the convenience of online transactions sometimes leads to excessive spending and impulsive buying behavior. Security concerns and cyber fraud risks remain major challenges affecting user confidence.

Overall, digital payment systems have transformed the financial habits of individuals and contributed to the growth of a digital economy. With improved financial awareness, cybersecurity measures, and responsible usage, digital payments can continue to provide long-term benefits to individuals and the economy.

## REFERENCES

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