

A Study on Digital Payment and its Impact on Consumer Spending Habits – An Empirical Study

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Abstract:

Consumer preference towards digital payment systems has grown significantly in recent years due to the convenience, speed, and efficiency these systems offer. Digital payment methods such as mobile wallets, UPI (Unified Payments Interface), credit and debit cards, and online banking have revolutionized the way people conduct transactions. The shift towards digital payments has been driven by rapid technological advancements, increasing smart phone penetration, and supportive government policies in many regions. Consumers, particularly in urban areas, are moving away from traditional cash-based transactions toward digital modes to make payments anytime and anywhere.

Understanding consumer preferences in this area is crucial for businesses, financial institutions, and policymakers to design user-friendly systems. Convenience digital payment system allow users to store multiple payment methods, such as credit cards and bank accounts, in one place. This means you can make payments quickly without needing to carry physical cards or cash. Payments through mobile wallets are processed quickly, often requiring just a tap or scan. This makes transactions faster than traditional methods, especially in busy retail environments. Mobile wallets often use advanced security features like encryption, tokenization, and biometric authentication (like fingerprint or facial recognition) to protect users' financial information, reducing the risk of fraud. It provides features that help users track their spending and manage their budgets. This can be useful for monitoring expenses and making informed financial decisions.

I. INTRODUCTION OF THE STUDY

The rapid growth of digital technologies has transformed the way people make financial transactions. Digital payment systems have emerged as a convenient, secure, and efficient alternative to traditional cash based transactions. In recent years, India has witnessed a significant surge in digital payment transactions. The Indian government's initiatives, such as Digital India and demonetization, have accelerated the adoption of digital payment systems.

Despite the growing popularity of digital payment systems, there are concerns about security, privacy, and trust. Consumers are increasingly aware of the risks associated with online transactions, and

their trust in digital payment systems is crucial for widespread adoption.

The evolution of digital payment systems has been a remarkable journey, transforming the way we make transactions. It began in the 1960s with the introduction of Electronic Fund Transfer (EFT), which allowed for electronic transfer of funds between banks. The 1970s saw the emergence of Automated Teller Machines (ATMs), enabling customers to withdraw cash using magnetic stripe cards. In the 1980s, credit card transactions became electronic with the introduction of electronic data capture (EDC) terminals. The widespread adoption of the internet in the 1990s led to the development of online banking, allowing customers to manage their

accounts and make transactions online. E-commerce also rose to prominence, driving the creation of online payment systems like PayPal. Digital wallets emerged, enabling users to store payment information and make online transactions.

II. OBJECTIVE OF THE STUDY

To analyze the socio-economic variables of the respondents.

To identify the more significant issues and challenges faced by Respondents.

To analyze the factors influencing consumer preference towards digital payment system.

To assess the satisfaction level of consumers with their current digital payment system.

To suggest solutions based on the findings.

III. RESEARCH METHODOLOGY

This study focuses on understanding the consumer preference towards digital payment system. It uses a descriptive research approach to explore the benefits and problems faced by the consumers. The data is collected through surveys and questionnaires from the sample of Respondents.

IV. TOOLS USED FOR ANALYSIS

PERCENTAGE ANALYSIS

CHI – SQUARE ANALYSIS

RANK ANALYSIS

HYPOTHESIS OF THE STUDY

Null Hypothesis (H0): There is no significant relationship between age group and frequently used digital payment method.

ANALYSIS AND INTERPRETATION

SIMPLE PERCENTAGE ANALYSIS

TABLE 1

TYPES OF ISSUES FACED BY RESPONDENTS IN DIGITAL PAYMENT SYSTEM

TYPE OF ISSUE	NO.OF. RESPONDENTS	PERCENT
Transaction Failure	29	35.4
Difficulty in understanding interface	27	32.9
Security Concerns	16	19.5
Problem of Literacy	10	12.2
TOTAL	82	100.0

Primary Data

INTERPRETATION

Table No.1 reveals that the highest percentage of respondents of respondents states that they have faced transaction failure in Digital Payment System (35.4%), followed by those they have faced difficulty in understanding interface in Digital Payment System (32.9%). The lowest Percentage of respondents states that they have faced problem of literacy in Digital Payment System (12.,2%), followed by those they have faced difficulty in security concerns in Digital Payment System (19.5%). The transaction failure faced respondents almost have a predominance of problem of literacy participants in the study on Digital Payment and its impact on Consumer Spending Habits – An empirical Study.

INFERENCE

Most (35.4 %) of the respondents belong to the respondents who have faced transaction failure in digital payment system.

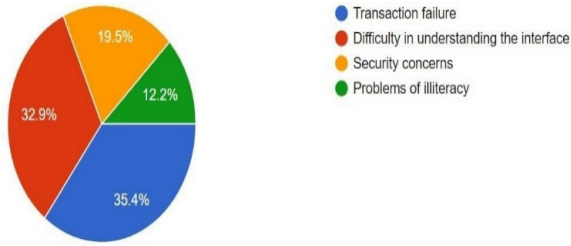


TABLE 2
HIGHLY PREFERRED DIGITAL PAYMENT METHOD BY RESPONDENTS

DIGITAL PAYMENT METHODS	NO.OF. RESPONDENTS	PERCENT
Google Pay	47	57.3
Phone Pe	26	31.7
BHIM	6	6
IMPS	3	3.7
TOTAL	82	100.0

Primary Data

INTERPRETATION

Table No. 2 reveals that the highest percentage of respondents states that they mostly prefer Google pay Digital payment System (57.3 %). The average Percentage of respondents states that they prefer phone pe Digital Payment System (31.7%). The lowest percentage of respondents states that they use IMPS Digital Payment system (3.7%), followed by those they use BHIM Digital Payment System (6%). The Use of Digital Payment system “Google Pay” have a slight predominance over “Phone Pe” and have high

predominance over “IMPS” and “BHIM” in the study on Digital Payment and its impact on

Consumer Spending Habits – An empirical Study.

INFERENCE

Majority (57.3%) of the respondents states that they highly prefer Google pay for their online transactions.

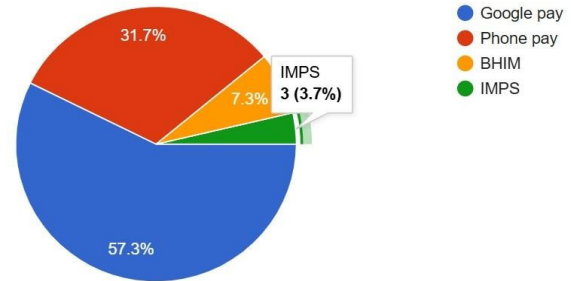


TABLE 3
BENEFITS OF CASHLESS TRANSACTIONS ACCORDING TO RESPONDENTS

BENEFITS	NO.OF. RESPONDENTS	PERCENT
Helpful in national growth	14	17.1
Helpful in making cashless economy	42	51.2
Control on Black Money	19	23.2
Growth in Business Sectors	7	8.5
TOTAL	82	100.0

Primary Data

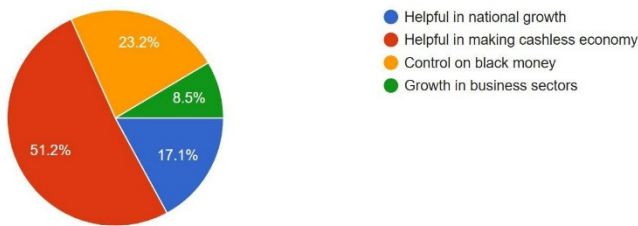
INTERPRETATION

Table 3 reveals that the highest percentage of respondents of states that the benefits of Digital Payment System results in Helpful in making cashless economy (51.2%). The average Percentage of respondents states that the benefits of Digital payment system results in Control on Black money (23.2%), followed by those the benefits of Digital Payment System results in (17.1%). The lowest Percentage of respondents states that the benefits Digital Payment system results in Growth in

Business Sectors (8.5%). The Benefits of Digital Payment system “Helpful in making cashless economy” have a slight predominance over “Control on black money” and “Helpful in National Growth”, and have high predominance over “Growth in Business Sectors” in the study on Digital Payment and its impact on Consumer Spending Habits – An empirical Study.

INFERENCE

Majority (51.2%) of the respondents states that the benefits of digital payment system results in Helpful in making cashless economy.



CHI – SQUARE ANALYSIS

Hypothesis No.1

Null Hypothesis (H₀): There is no significant relationship between age group and frequently used digital payment method.

TABLE 1

Age Group and Frequently used digital payment method

Age Group	Google Pay	Phone Pe	IM PS	Others	Total
20 to 30	40	25	4	1	70
30 to 40	2	5	0	0	7
40 to 50	1	1	1	0	3
Above 50	1	0	0	0	2
Total	44	31	5	1	82

Primary data

INTERPRETATION:

Table No. 4.2.1 reveals that the Pearson Chi-Square value is 13.276 with an associated significance value of 0.039, which is less than the standard significance level of 0.05. This indicates a statistically significant relationship between the age group of respondents and their frequently used digital payment method. Therefore, the null hypothesis (H₀) is rejected, and the alternative hypothesis (H_a) is accepted, confirming that the preferred digital payment method significantly varies among different age groups. This finding suggests that digital payment preferences are influenced by the age of the users, with younger respondents (20 to 30 years) predominantly using Google Pay and PhonePe, while older age groups show relatively less engagement with digital payment platforms.

CONCLUSIONS

In conclusion, this study provides valuable insights into the demographics, familiarity, trust, and benefits of digital payment systems among consumers. The findings indicate that digital payment systems are widely accepted, with a significant proportion of respondents familiar with them. Convenience, speed, and user interface are the top priorities for consumers when using digital payment systems, while security and customer support require attention to increase consumer trust and satisfaction. Overall, the study highlights the importance of convenience, speed, and security in driving the adoption of digital payment systems, and suggests that companies can improve their services and increase customer satisfaction by addressing these concerns.

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