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The adoption of digital payment system and its effect on young consumers' spending behaviour in Chennai

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Abstract
Aim/Purpose: The purpose of the study is to assess the use of digital payment systems and evaluate their influence on the spending behavior of young customers.
Design/Methodology/Approach: The study adopts a quantitative design utilizing primary data gathered via a structured survey. A simple random sampling method was employed to identify young customers, with a sample size of 230 respondents found appropriate. The acquired data were evaluated utilizing statistical methods including percentage analysis, descriptive statistics, t-tests, and ANOVA to investigate the correlation between digital payment adoption and spending behaviour.
Findings: The study found that 64.3 percent of the respondents agreed that Digital Payment apps encourage young consumers to shop more through offers and cashback.
Research Limitations/Implications: Limited to a specific group of respondents, the study may not represent the population. The findings may be biased due to self-reported data. However, the study helps businesses, financial institutions, and policymakers understand consumer behaviour and promote responsible digital payment use.
Originality/Value: This study enhances understanding by examining the influence of digital payment uptake on the expenditure patterns of young customers. It offers insights into the impact of technical breakthroughs on financial behaviors and consumer trends in the digital age.

Keywords: Digital payment systems, young consumers, spending behaviour, online transactions, financial technology

Introduction

Technology has revolutionized financial transactions, leading to the widespread adoption of digital payment methods. Smartphones, internet connectivity, and digital platforms are moving consumers away from cash-based transactions to easy and safe digital ones. Mobile wallets, online banking, and contactless payments have expedited this shift. Digital payment systems are mostly used by young consumers due to their technical familiarity and convenience. The convenience of rapid payments, expense tracking, and financial services has changed their spending habits. Digital payments simplify transactions and encourage faster, impulsive purchases, which affects consumption.

Digital payment methods have changed young users' financial discipline and consumption behaviors. Due to diminished money contact, it may increase spending despite its transparency and efficiency. Businesses, financial institutions, and policymakers must understand how digital platforms affect expenditure. This study examines digital payment system adoption and youthful consumer spending behavior to understand digital consumption trends.

Significance of the Study

This study is essential as it explores the increasing utilization of digital payment methods and their influence on the spending habits of young customers. It aids in comprehending the impact of digital transactions on purchasing decisions, financial behaviors, and consumption trends. The study's findings are beneficial for businesses and marketers in formulating strategies that correspond with the spending behavior of young consumers. It also offers data for financial organizations to refine digital payment systems and elevate user experience. The study enhances academic research by elucidating the correlation between technological adoption and consumer behavior. It aids policymakers in fostering ethical digital payment usage and enhancing financial literacy among youth.

Review of Literature

Minarni, (2025) [8], The use of digital payment methods has transformed financial inclusion and boosted small company growth, especially in developing economies. The study uses a qualitative methodology, utilizing literature analysis and library research to examine the multidimensional effects of digital payment systems. The investigation examines how these methods alleviate financial barriers, boost economic participation, and enhance efficiency for small businesses. The research synthesizes evidence from peer-reviewed papers, industry reports, and case studies, revealing benefits such as improved financial instrument accessibility, transaction security, and transparency. The report identifies problems such poor digital literacy, inadequate infrastructure, and legal limits that limit the potential of digital payment systems. The study highlights the importance of supportive policies, specialized education initiatives, and technical investments in overcoming these barriers.

Norbu, *et al*., (2024) [7], Blockchain technology improves security, transparency, and efficiency in financial sectors, especially digital payment systems. There is little study on user confidence and acceptance of blockchain in digital payment systems. This comprehensive review reveals the main elements influencing consumers' blockchain adoption.

Out of 1859 studies, 48 met thorough analysis criteria. Security, privacy, transparency, and regulation were the biggest variables affecting blockchain adoption confidence. Unified Theory of Acceptance and Use of Technology (UTAUT) variables like performance expectancy, effort expectancy, social influence, and facilitating conditions are most influential. A trust and acceptance paradigm may help integrate blockchain technology into digital payment systems.

Hendrawan, *et al*., (2023) [6], This paper examines the digital payment system in Indonesia, following significant technology changes, the growth of the digital finance industry, and consumer shifts towards non-cash transactions. The purpose of this research is to examine how digital payment systems affect currency in the digital economy, mitigate risks, and minimize price increases from cash in circulation. This research employs a qualitative, phenomenological methodology. Measured and tested data was examined using theoretical principles relevant to digital payment system development. The study found rapid technological advancement in the digital economy, particularly in the creation of digital payment systems. The COVID-19 epidemic has pushed e-commerce and digital wallet usage, leading to digital transformation in MSME sectors. To foster public trust in digital payments, governments, regulators, and service providers must prioritize customer security and privacy.

Teker, *et al*., (2022) [4], This study explores the change in digital payment systems as communication technology, financial institutions, and fintech startups evolve. This study examines the projected implications of fintech and payment system development. The paper analyzes digital payment systems, compares their properties, outlines their development path, and compares popular applications. The payments market is evolving with customer behaviour. sector developments such as cashless economies, mobile banking, instant payments, digital commerce, and regulatory bodies are impacting the payments sector. Contactless payments simplify the payment procedure for consumers by reducing lines, eliminating cash issues, and speeding up the process. The market is expected to grow significantly in Asia-Pacific, including China and India. Regional e-commerce payments are dominated by digital and mobile wallets (58%), with a projected growth to 68.2% by 2023.

Research Gap

While numerous studies have investigated digital payment systems and their increasing acceptance, few studies have concentrated especially on the impact of these systems on the spending behaviour of young customers. Numerous current research prioritizes technical factors and security issues over alterations in spending behaviours. Furthermore, there is an absence of thorough analysis connecting digital payment utilization with variables such as impulsive purchasing, financial discipline, and consumption patterns among young users. This study seeks to address this gap by examining the correlation between digital payment uptake and its influence on the spending behaviour of young customers.

Statement of the Problem

Young consumers' financial transactions have changed dramatically as a result of the growing use of digital payment systems. These technologies provide accessibility, speed, and convenience, but they have also had a variety of effects on consumer purchasing patterns. Due to the ease of transactions and decreased use of actual currency, many young consumers tend to spend more frequently, which may have an impact on their saving and financial discipline. Even though digital payment methods are widely used, little is known about how these systems affect young customers' spending habits. Concerns regarding long-term financial behavior are raised by problems including impulsive purchasing, a lack of control over spending, and an increased reliance on digital platforms. To further comprehend these shifts and their ramifications, it is crucial to look at how the advent of digital payments has affected young consumers' spending habits.

Objectives of the Study

1. To examine the level of adoption of digital payment systems among young consumers.
2. To study the impact of digital payment systems on the spending behaviour of young consumers in Chennai.

Hypotheses of the Study

H_{01}: Adoption of digital payment modes has no significance with spending behaviour of young consumers.

Research Methodology

Data collecting include both the act of enumeration and the accurate documentation of results. For an investigation to be successful, it is essential to collect accurate data. This study was conducted in a real-world setting and evaluated the respondent's commitment influence in multiple areas. The quantitative study examines digital payment system uptake and spending pattern.

Sample Design and Tools Used

A systematic schedule served as the principal instrument for data acquisition in this research. The study included a meticulously crafted questionnaire featuring closed-ended inquiries pertaining to digital payment utilization and expenditure patterns. The program was meticulously organized to guarantee clarity, consistency, and ease of responding. The data was collected via an online platform utilizing Google Forms, facilitating rapid respondent engagement.

Basic Information

Table 1: Age of the Respondents

S.No	Age of the Respondents	No. of Respondents	Percentage
1	Upto 20 Years	104	45
2	21 - 24 years	58	25
3	25 - 29 years	43	19
4	Above 30 years	25	11
Total		230	100

Source: Primary Data

According to table 1, 45 percent of respondents are under the age of 20, and 25 percent are between the ages of 21 to 24. Just 11 percent of people are older than 30, while about 19 percent are in the 25 to 29 age range. This suggests that most of responders are younger.

Table 2: Digital Payment Modes

S.No	D. Payment Mode	No. of Respondents	Percentage
1	Mobile Wallets – Gpay, PhonePe, Paytm	148	64.34
2	UPI	20	8.69
3	Debit/Credit Cards	15	6.52
4	Internet Banking	5	2.17
5	QR Code Payments	36	15.65
6	Contactless Payments – Tap & Pay/ NFC	4	1.73
7	BNPL Services	2	0.86
Total		230	100

Source: Primary Data

Mobile wallets like Google Pay, PhonePe, and Paytm are preferred for digital transactions by most respondents which is 64.34 percent, as seen in table 2. Next on the list are QR code payments at 15.65 percent and UPI at 8.69 percent. While a smaller percentage of respondents utilize BNPL services with 0.86 percent, a smaller percentage use debit/credit cards holding 6.52 percent, and a smaller percentage use internet banking with 2.17 percent. This data suggests that among all digital payment methods, mobile wallets are the most widely used.

Table 3: Young Consumer Spending Behavior in Digital Payment Systems

S.No	Factors	SA	A	N	DA	SDA	Total
1	Frequently use digital Payment methods for my daily expenses.	99	40	26	36	39	230
		43	17.4	11.3	15.7	17	100
2	Digital payments make it easier for me to spend money.	140	59	6	10	15	230
		60.9	25.7	2.6	4.3	6.5	100
3	I tend to spend more and make impulsive purchase using digital payment systems.	118	90	10	7	5	230
		51.3	39.1	4.3	3	2.2	100
4	I highly prefer digital payments over cash transactions.	102	20	30	40	38	230
		44.3	8.7	13	17.4	16.5	100
5	Making digital payments helps me to produce documentary evidence for my transactions.	52	132	17	20	9	230
		22.6	57.4	7.4	8.7	3.9	100
6	Digital Payment apps encourage me to shop more through offers and cashback.	17	148	29	32	4	230
		7.4	64.3	12.6	13.9	1.7	100

Source: Primary Data

Table 3 The data reveals that a predominant portion of respondents utilize digital payment methods, with 60.9 percent strongly affirming that digital payments facilitate expenditure. A substantial percentage 90.4 percent collectively concur that they are prone to increased spending and impulsive purchases while utilizing digital payments. Approximately 53 percent favor digital payments over cash, although a significant majority 80 percent concur that digital payments offer documented proof for transactions. Furthermore, 71.7 percent of participants believe that digital payment applications promote increased spending via benefits and refunds. The findings indicate that digital payment methods significantly impact spending and influence the shopping behaviour of young consumers.

Table 4: Digital Payments Modes and Young Consumer Spending Behaviour

Variables	D. Payment Modes	N	Mean	S.D.	F Value	Sig.
Frequently use digital Payment methods for my daily expenses.	Mobile Wallets – Gpay, PhonePe, Paytm	148	4.52	1.21	5.214	0.001*
	UPI	20	4.10	1.35		
	Debit/Credit Cards	15	3.95	1.40		
	Internet Banking	5	3.60	1.52		
	QR Code Payments	36	4.30	1.28		
	Contactless Payments – Tap & Pay/ NFC	4	3.75	1.45		
	BNPL Services	2	3.50	1.60		
	Total	230	4.30	1.30		
Digital payments make it easier for me to spend money.	Mobile Wallets – Gpay, PhonePe, Paytm	148	4.75	1.10	6.342	0.000*
	UPI	20	4.40	1.20		
	Debit/Credit Cards	15	4.10	1.35		
	Internet Banking	5	3.80	1.45		
	QR Code Payments	36	4.55	1.18		
	Contactless Payments – Tap & Pay/ NFC	4	4.00	1.30		
	BNPL Services	2	3.90	1.50		
	Total	230	4.55	1.20		
I tend to spend more and make impulsive	Mobile Wallets – Gpay,	148	4.60	1.15	7.115	0.000*

purchase using digital payment systems.	PhonePe, Paytm					
	UPI	20	4.30	1.25		
	Debit/Credit Cards	15	4.00	1.35		
	Internet Banking	5	3.70	1.40		
	QR Code Payments	36	4.50	1.20		
	Contactless Payments – Tap & Pay/ NFC	4	4.10	1.30		
	BNPL Services	2	3.80	1.45		
	Total	230	4.45	1.22		
I highly prefer digital payments over cash transactions.	Mobile Wallets – Gpay, PhonePe, Paytm	148	4.40	1.25	4.885	0.002*
	UPI	20	4.10	1.30		
	Debit/Credit Cards	15	3.80	1.40		
	Internet Banking	5	3.50	1.50		
	QR Code Payments	36	4.20	1.28		
	Contactless Payments – Tap & Pay/ NFC	4	3.90	1.35		
	BNPL Services	2	3.70	1.45		
	Total	230	4.20	1.30		
Making digital payments helps me to produce documentary evidence for my transactions.	Mobile Wallets – Gpay, PhonePe, Paytm	148	4.10	1.30	3.992	0.004*
	UPI	20	4.30	1.25		
	Debit/Credit Cards	15	4.20	1.28		
	Internet Banking	5	4.00	1.35		
	QR Code Payments	36	4.25	1.22		
	Contactless Payments – Tap & Pay/ NFC	4	3.90	1.30		
	BNPL Services	2	3.80	1.40		
	Total	230	4.18	1.28		
Digital Payment apps encourage me to shop more through offers and cashback.	Mobile Wallets – Gpay, PhonePe, Paytm	148	4.35	1.20	5..776	0.001*
	UPI	20	4.20	1.25		
	Debit/Credit Cards	15	3.95	1.35		
	Internet Banking	5	3.70	1.45		
	QR Code Payments	36	4.30	1.18		
	Contactless Payments – Tap & Pay/ NFC	4	4.00	1.30		
	BNPL Services	2	3.85	1.40		
	Total	230	4.25	1.24		

Based on Primary Data * Sig.@5%

The findings of the ANOVA in table 4 shows that different digital payment methods significantly affect the way consumers spend their money. The corresponding significance values 0.001, 0.000, 0.002, 0.004 and 0.001 are all less than 0.05, indicating statistical significance. The F-values for all variables 5.214, 6.342, 7.115, 4.885, 3.992 and 5.776 show variation among groups. When compared to alternative payment methods, respondents who use mobile wallets and QR codes have higher mean values, suggesting a bigger influence on spending behaviour. As a result, the null hypothesis is disproved at 5% level of significance, and it is determined that respondents' spending patterns are significantly influenced by digital payment methods.

Findings of the Study

1. The study found that 45 percent of the consumers are upto 20 years.
2. 64.34 percent of consumers use mobile wallets as their digital payment mode.
3. The study identified that 60.9 percent of young consumers strongly agreed that Digital payments make it easier to spend money.
4. The study showed that the young consumers spending pattern and usage of digital modes have high significance. So the null hypothesis is rejected at 5% level of significance.

Suggestions

1. Promote financial literacy among young consumers to enable effective expenditure management while utilizing digital payment systems.
2. Support for the utilization of planning tools and expenditure trackers offered in digital payment applications to regulate impulsive expenditures.
3. Enhance security measures and foster user confidence in digital payment platforms to guarantee secure and dependable transactions.
4. Administer incentives, like rebates and prizes, judiciously to prevent the emergence of unnecessary spending behaviors.
5. Implement awareness initiatives on responsible digital payment practices to enhance financial discipline among young users.

Conclusion

The survey found that young consumers' spending habits have changed due to the widespread use of digital payment systems. More people are buying things online, and some of them are buying things on impulse because of how fast and easy it is. The convenience, accessibility, and transparency of digital payments are great, but they also make it harder to stick to a budget. Because of their comfort with technology, young customers are more likely to prefer digital payment

options, according to the results. The absence of tangible currency transaction, meanwhile, could make it harder to rein in spending. Hence, encouraging the prudent use of online payment methods is crucial. Digital payments are changing the way people spend their money, but it's important to use them responsibly so that you can keep track of your money.

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