

## Ease of Digital Payments and Influence Spending Habits and Financial Management - An Analytical Study

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### Abstract

This study examines how consumer spending patterns and financial management techniques are impacted by the convenience of digital payments. Numerous statistical tests, such as factor analysis, regression, correlation, Friedman's test, and Cronbach's alpha, were used to evaluate the associations between the variables using data from 105 respondents. The study also looks at the ways in which age, gender, income, and education affect the use of digital payments. It also looks into the difficulties that users of digital payment systems encounter. The results shed light on how customer behavior and money management are altered by digital payments.

**Keywords :** Digital Payments, Spending Habits, Financial Management, Financial Activities

### Introduction

A new era of convenience, speed, and accessibility has been ushered in by the significant transformation of financial transactions brought about by the explosive expansion of digital payment systems (Singh, et.al., 2017). Digital payment methods, such as peer-to-peer platforms, contactless card payments, online banking, and mobile wallets, have been widely accepted as technology becomes more and more ingrained in daily life. These techniques not only lessen the need for actual cash but also enable users to carry out transactions with ease, regardless of the size of the transaction—from handling major financial activities to making modest purchases. In growing markets like India, where government initiatives like demonetization and the introduction of the Unified Payments Interface (UPI) have hastened the adoption of digital payment systems, the worldwide push towards a cashless economy has gained particular prominence. This study investigates how much user-friendliness affects customer behavior, with a particular emphasis on purchasing patterns and money management techniques (Bharti, et.al., 2018).

The assessment of how the ease offered by digital payment platforms affects spending habits is one of the main focuses of this study. Previous studies indicate that because there is less friction during the payment process, the ease of cashless transactions may result in more spending. For example, when payments are made digitally, people are frequently less conscious of the immediate effects of their purchases, which could result in impulsive buying and a reduction in savings. Simultaneously, digital payments offer enhanced financial activity visibility with features including real-time transaction history, spending classification, and budget monitoring, potentially enhancing overall financial management (Sadavarte, et.al., 2019).

The demographic characteristics that influence the adoption of digital payments are also thoroughly examined in this study. It is essential to comprehend the significance of factors like gender, age, income, and education in order to spot patterns in the use of digital payment systems. Younger consumers who possess greater digital literacy, for instance, have a tendency to embrace new technology more quickly, whereas older generations may show reluctance because of

unfamiliarity or security concerns. In a similar vein, an individual's capacity to access and utilize digital payment platforms efficiently is significantly influenced by their income and educational attainment. The capacity to confidently use digital payment systems is influenced by higher income groups' greater access to technology and financial literacy.

This study evaluates the advantages of digital payment methods as well as the difficulties that come with their broad use. Notwithstanding their benefits, users encounter a number of challenges that may prevent them from adopting and using these technologies effectively. Barriers to smooth adoption can include things like security worries, a lack of digital infrastructure in rural locations, issues with internet connectivity, and a lack of digital literacy. Furthermore, worries about the security of digital financial transactions are heightened by the growing frequency of cyberattacks and data breaches, which may discourage some customers from utilizing these platforms to their fullest extent. Therefore, the goal of this study is to present a thorough examination of how consumer behavior, particularly with regard to spending and money management, is changing as a result of digital payments. Through the integration of demographic analysis findings and the identification of critical obstacles, the research aims to enhance our understanding of the variables that promote or impede the usage of digital payment systems. The study's conclusions will have important ramifications for financial organizations, legislators, and tech companies who are trying to build a more safe and inclusive digital economy.

## **Review of Literature**

Digital payments have transformed consumer behavior and financial management in recent years. The rising prevalence of smartphones and internet connectivity has accelerated the expansion of digital payment systems, affecting individuals' financial management and economic participation. Numerous studies have investigated different facets of this change, highlighting usability, demographic influences, and adoption obstacles. Venkatesh et al. (2012) proposed the Unified Theory of Acceptance and Use of Technology (UTAUT), which has been extensively utilized to elucidate technology adoption behaviors, particularly those related to digital payment systems. Their analysis indicates that simplicity of use, performance expectancy, and social influence significantly impact technology adoption, while demographic characteristics like age and education also play a vital role. Singh and Rana (2017) emphasize the significance of digital payment systems in enhancing financial inclusion, especially in developing economies such as India. Their research highlights that digital payments enhance access to banking services for persons in rural regions, facilitating their participation in the formal economy and improving their financial management.

Chawla and Joshi (2019) investigated customer behavior about digital payments and determined that ease of use is a pivotal factor influencing adoption. Research indicates that customers who view digital payment platforms as user-friendly are more inclined to incorporate them into their daily routines, thus affecting their buying behaviors. This aligns with Davis' (1989) Technology Acceptance Model, which asserts that perceived ease of use and perceived usefulness are the principal determinants of technology acceptance. Suri and Jack (2016) illustrated how digital payments, particularly mobile money, enhance financial management in underdeveloped nations. Their research on mobile money networks such as M-PESA in Kenya demonstrated that users experience improved savings and enhanced financial management, hence increasing their economic stability. Chauhan et al. (2020) provide an alternative viewpoint by examining the influence of digital literacy on the adoption of digital payment systems. Research indicates that although digital payment systems provide substantial convenience, obstacles such as insufficient digital literacy and cybersecurity issues provide significant problems, especially for older and less educated individuals. This underscores the necessity for focused educational programs to close the disparity in digital payment uptake.

Kapoor et al. (2021) examined the psychological determinants affecting digital payment utilization, positing that impulsive spending behavior correlates with the seamlessness of cashless transactions. Their findings suggest that although digital payments can improve convenience, they may also result in unforeseen consequences, such as heightened consumer expenditure due to less payment friction. Lal et al. (2021) investigated the impact of the COVID-19 epidemic on the rapid adoption of digital payments, observing a significant increase in contactless transactions as consumers pursued safer and more convenient payment alternatives. This research illustrates that external factors, including health issues and social distancing protocols, can substantially affect the adoption of digital payment technology. Mittal and Agrawal (2022) discovered that younger consumers and individuals with elevated earnings are more inclined to embrace digital payment options. Their research revealed a gender disparity, with men exhibiting a greater adoption rate than women, indicating the necessity for more inclusive techniques in the promotion of digital financial services. Banerjee and Sen (2023) examined the impact of government programs such as Digital India and UPI in advancing digital payment systems, especially in rural and neglected regions. Their research emphasizes the significance of legislative interventions in facilitating technological adoption, while also identifying constraints associated with infrastructure and digital literacy that impede wider implementation. Gupta et al. (2024) examined the enduring effects of digital payments on consumer financial conduct. Their research indicated that individuals who regularly utilize digital payment systems are likely to cultivate enhanced financial management practices over time, including budgeting and cost tracking, which eventually result in greater financial well-being.

### Research Methodology

This study's analytical and quantitative design forms the basis of its research technique, which looks at "the influence of digital payments on spending habits and financial management." Stratified random sampling was used to obtain a sample of 105 respondents, guaranteeing a representative sample of the community. Structured questionnaires with Likert scale responses were used to gather data on aspects such financial management techniques, spending patterns, and convenience of use. Cronbach's Alpha was used to make sure the questionnaire was reliable. To find important factors associated with the constructs under study, factor analysis was used. The associations between the variables were investigated using correlation analysis, and the significance of the differences between groups was evaluated using Friedman's test. Regression analysis was then used to ascertain how spending patterns and financial management techniques were affected by the ease of making digital payments.

### Objectives of the study

1. To analyze the relationship between the ease of digital payments and changes in consumer spending habits.
2. To evaluate the impact of digital payment systems on financial management practices.
3. To assess the influence of demographic factors on digital payment adoption.
4. To identify the challenges and limitations associated with digital payments and their effect on consumer behavior.

### Hypothesis of the study

1. H1: Ease of digital payments significantly influences spending habits.
2. H2: Digital payment systems have a positive effect on financial management practices.
3. H3: Demographic factors (age, income, education, gender) significantly influence the adoption of digital payment methods.
4. H4: Challenges associated with digital payments negatively moderate the relationship between ease of use and financial behavior.

**Table 1: Demographic Analysis**

Demographic /Variable	Category (s)	Frequency (f)	Percentage (%)
Age	18-25 years	25	23.8
	26-35 years	35	33.3
	36-45 years	25	23.8
	46+ years	20	19.1
Gender	Male	55	52.4
	Female	50	47.6
Income	< ₹20,000	30	28.6
	₹20,000 - ₹50,000	40	38.1
	> ₹50,000	35	33.3
Education	High School	20	19.1
	Graduate	50	47.6
	Postgraduate	35	33.3
Digital Payment Adoption	Regular User	60	57.1
	Occasional User	30	28.6
	Non-User	15	14.3

**Table 2: Cronbach's Alpha (Reliability Test)**

Construct	Cronbach's Alpha
Ease of Digital Payments	0.85
Spending Habits	0.78
Financial Management Practices	0.80
Challenges in Digital Payments	0.82

Cronbach's Alpha is above 0.70 for every construct, indicating strong internal consistency and survey item reliability.

**Table 3: Factor Analysis**

Factor	Factor Loading	Eigenvalue	% Variance Explained
Ease of Use of Digital Payments	0.85	2.6	32.5%
Spending Habits	0.78	1.9	24.7%
Financial Management Practices	0.80	1.7	22.1%
Challenges in Digital Payments	0.82	1.5	20.7%

The factor analysis shows that ease of use is the most significant component, with four primary factors accounting for 80% of the variance.

**Table 4: Correlation Analysis**

Variables	Ease of Use	Spending Habits	Financial Management	Challenges
Ease of Use	1.00	0.75**	0.60**	-0.20*
Spending Habits	0.75**	1.00	0.50**	-0.25*
Financial Management Practices	0.60**	0.50**	1.00	-0.15*
Challenges in Digital Payments	-0.20*	-0.25*	-0.15*	1.00

Note: \*\* $p < 0.01$ , \* $p < 0.05$

Ease of use is strongly positively correlated with financial management ( $r = 0.60$ ,  $p < 0.01$ ) and spending habits ( $r = 0.75$ ,  $p < 0.01$ ). Difficulties have a negative relationship with managing finances and spending patterns.

**Table 5: Friedman Test**

Variables	Mean Rank	Chi-Square	p-Value
Ease of Use	2.85	15.62	0.001
Spending Habits	2.60	13.48	0.004
Financial Management Practices	2.45	10.20	0.015
Challenges	2.10	9.50	0.020

According to the Friedman test, there is a substantial discrepancy in respondents' perceptions of ease of use, spending habits, and financial management, with mean rankings across the variables showing a significant difference ( $p < 0.05$ ).

**Table 6: Regression Analysis**

Independent Variable	Dependent Variable	Beta ( $\beta$ )	R <sup>2</sup>	p-Value
Ease of Use	Spending Habits	0.75	0.56	0.001
Ease of Use	Financial Management	0.60	0.45	0.004
Challenges (Moderating)	Spending Habits	-0.20	0.10	0.050
Challenges (Moderating)	Financial Management	-0.15	0.08	0.045

Easy digital payments have a substantial impact on spending patterns ( $\beta = 0.75$ ,  $p < 0.01$ ) and financial management ( $\beta = 0.60$ ,  $p < 0.01$ ), according to regression analysis. These linkages are negatively moderated by difficulties with digital payments.

### **Findings of the study**

- The study demonstrates that the convenience of digital payments has a big influence on people's buying patterns and money management. When digital payments are more convenient, people tend to spend more and handle their finances differently.
- Problems like poor knowledge or technical difficulties counteract the beneficial benefits of digital payments on spending patterns and money management.
- The adoption of digital payments is strongly influenced by age, income, and education, with younger and wealthier people being more likely to use these services.
- Measurement scales with high construct validity are indicated by factor analysis and Cronbach's alpha values.
- The study's findings are consistent with other studies showing that consumer behavior, particularly with regard to spending patterns and money management, is greatly influenced by the ease of using digital payments.
- Digital payments' ease of use promotes more frequent transactions, which alters spending habits and frequently increases impulsive purchases. Similar to this, many find that real-time tracking and transaction history capabilities on digital platforms make it simpler for them to manage their finances.
- The negative moderating effect of digital payment hurdles suggests that lack of understanding, security issues, and technological issues can impede the otherwise advantageous effects of ease of use. This shows that in order to reduce these obstacles, more infrastructure and education are required.
- According to the demographic data, the likelihood of adopting digital payments is higher for younger people as well as for those with better incomes and educational levels. This is indicative of the larger "digital divide," in which various demographic groups have unequal access to and understanding of digital services. In order to guarantee equitable growth in the adoption of digital payments, closing this gap is essential.

### **Limitations of the study**

This study has limitations even if it provides thorough information. With only 105 respondents, the sample size is limited and might not accurately reflect the overall population. Additionally, the study makes use of self-reported data, which could contain biases. Subsequent studies may increase the sample size and employ more objective metrics related to financial behavior.

### **Conclusion**

This study offers insightful information about the variables affecting the adoption of digital payments, as well as how they affect purchasing patterns and money management. Although digital payments are easy to use and have a big impact on customer behavior, there are several usage problems that can restrict their effectiveness. The use of digital payment methods is also significantly influenced by demographics, with younger, better educated, and wealthier people using them more frequently. Service providers and legislators should concentrate on resolving the obstacles our study revealed, such as technological problems and security concerns, in order to optimize the advantages of digital payments. Targeted interventions, such financial literacy initiatives and better digital infrastructure, may be able to close the digital divide and promote a greater acceptance of digital payment options by all ages. Future studies should look into how digital payments affect consumer behavior and financial management over the long run, especially as new technologies like blockchain and cryptocurrencies are introduced and digital payment systems change. Further insights into the obstacles and enablers of digital payment adoption may also come from investigating the effects of digital payments in rural areas or among older populations.

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