



An Analytical Study of Digital Transactions System in Shaping Individual Financial Decision Making

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Abstract – The digital payment system is one of the main elements that drive today's economy and change how people spend, save, and manage their money. The objective of this research study is to identify the concept of digital payment systems, their growth, their various usage patterns (mainly UPI, Mobile Wallets, Card Payments), and to investigate how the above-mentioned factors affect their spending and saving behaviour. The research methodology they used was descriptive and analytical and was based on both primary and secondary data. However, the primary data was gathered by using structured questionnaires, while the secondary data was obtained from RBI reports and government publications, plus scholarly articles. The research findings are that digital payment systems create convenience and transparency and result in cashless transaction use; as well as change an individual's spending and saving habits. However, issues arise from gaps in digital literacy, security concerns, and the varying adoption rate.

Keywords – Digital Payment Systems, UPI, Mobile Wallets, Card Payments, Cashless Economy, Consumer Spending Behavior, Saving Behavior, Digital Transactions, Financial Technology, Online Payments, Financial Inclusion, Cyber Security, Digital Literacy, RBI, Consumer Adoption.

I. INTRODUCTION

In recent years, a major change in the way people use money has been brought about by the digital transformation of financial systems that are occurring globally. India's implementation of the Unified Payments Interface (UPI), various mobile wallet apps, and multiple card-based payment systems, have all helped facilitate financial inclusion as well as change how consumers make financial decisions.

The introduction of digital payment solutions are allowing for easier transactions but are also impacting how a person uses their money by altering how they allocate, spend and save their financial resources.

This paper is an extension of earlier studies related to the impact of rural banking and customer satisfaction, and extends the focus of these earlier studies to digital transaction systems and how they will influence the financial decision making of consumers in today's economy.

Objectives

- To understand the evolution of digital payment systems in the current economy.
- To analyze the transaction trends associated with digital payment methods, including UPI, mobile wallets, and card-based transactions.
- To analyze how digital payment solutions are influencing consumers' spending patterns.
- To analyze how digital payment solutions are influencing consumers' saving behavior.

II. LITERATURE REVIEW

Digital Payments Have a Positive Impact; There are many advantages of Digital Payments (Efficiency, Transparency & Access) UPI's dominance as the fastest way to transfer money between people (an Instant Peer 2 Peer Transfer). Mobile Wallets (such as PayTm, Mobikwik, etc.) offer convenience for making low-value transactions compared to using a debit/credit card and debit/credit cards continue to be popular for Grocery & Retail Store transactions and for Online Purchases.

Digital Payments have enabled a greater propensity to spend because of the ease of making a transaction and created another means of saving based on the fact that all Digital Payments provide a secure method of providing a record of the transaction, allow the user to track savings over time and provide rewards for using Digital Payment Platforms.

Barriers to adoption of Digital Payment Systems include Cyber Security, Lack of Awareness and Lack of Infrastructure. The majority of barriers to using a Digital Payment System exists in Rural India.

III. RESEARCH METHODOLOGY

This study adopts a systematic approach to examine the impact of digital payment systems on the financial behaviour of individuals. The methodology outlines the research design, data sources, sampling technique, and analytical tools used in the study.

1. Research Design

The research is quantitative, descriptive, and analytical in nature. A cross-sectional design is used to capture the behaviour and perceptions of respondents at a single point



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in time. This design helps in identifying patterns and relationships between digital payment usage and financial behavior.

2. Data Sources

The study is based on both

Primary Data: Collected through a structured questionnaire distributed among respondents.

Secondary Data: Collected from research papers, journals, books, reports, and credible online sources to support and validate the findings.

3. Sampling Technique

A convenience sampling method is used to select respondents based on their availability and willingness to participate. This method is suitable due to time and resource constraints.

4. Sample Size

The study includes a sample of 100 respondents, comprising students, salaried individuals, and small business owners who actively use digital payment systems.

Variables of the Study

• Independent Variables

Digital payment usage (frequency, type)

Perceived ease of use

Security concerns

Trust in digital platforms

• Dependent Variables

Financial behaviour

Spending habits

Saving behaviour

Budgeting practices

Impulse buying

IV. DATA ANALYSIS & RESULTS

The collected data was analysed using percentage analysis, tables, and graphical interpretation to understand the impact of digital payment systems on individual financial behaviour. The findings are presented below:

1. Demographic Analysis

The majority of respondents (63.1%) belong to the 21–30 age group, followed by 22.3% below 20 years, indicating that the study is largely influenced by young individuals.

Gender distribution is almost equal, with 51.5% females and 48.5% males, ensuring balanced representation. In terms of occupation, students dominate the sample (52.4%), followed by salaried individuals (34%). A large proportion of respondents fall under the lower and middle-income groups, with 40.2% earning below ₹10,000 per month.

2. Usage Pattern of Digital Payments

The analysis shows that digital payment systems are widely adopted among respondents. UPI is the most preferred payment method (51.9%), followed by mobile wallets (29.8%). Debit/credit cards and internet banking have comparatively lower usage. Regarding frequency, 44.7% of respondents use digital payments weekly, while 35% use them daily, indicating regular usage. The primary reasons for using digital payments are speed (40.4%) and convenience (26%), highlighting efficiency as the key driver of adoption.

3. Impact on Spending Behaviour

The results indicate that digital payments significantly influence spending behaviour. A majority of respondents agree that digital payments make it easier to spend money (51.3% agree/strongly agree). Additionally, 57.1% report increased spending frequency due to the convenience of digital transactions. The findings also show that 57% of respondents engage in unplanned purchases, suggesting that digital payments encourage impulsive spending behavior.

4. Impact on Financial Management

Digital payment systems also contribute positively to financial management. About 57.7% of respondents agree that digital payments help in tracking expenses through transaction records and notifications. Around 50% believe that digital payments assist in better budgeting. These findings indicate that digital tools can enhance financial awareness and control when used effectively.

5. Impact on Saving Behaviour

The study reveals a mixed impact on saving habits. While 55.8% of respondents believe that digital payments affect their savings, a significant portion remains neutral. This suggests that although digital payments influence saving behaviour, the extent varies among individuals depending on their financial discipline.

6. Financial Inclusion and Accessibility

Digital payments have moderately improved financial accessibility. Approximately 47.5% of respondents agree that digital payment systems make financial services more accessible. Additionally, nearly half of the respondents report reduced dependency on cash, indicating a gradual shift toward a cashless economy.

7. Security and Trust

Security concerns play an important role in digital payment adoption. Around 50% of respondents agree that security issues influence their usage of digital payments, while many remain neutral. Although a majority feel safe using digital platforms, the presence of security concerns highlights the need for improved trust and awareness.

8. Overall Impact on Financial Behaviour

The overall results indicate that digital payment systems have a significant impact on financial behaviour. About 50% of respondents agree that digital payments influence



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their financial decisions, while 43.3% remain neutral. This suggests that while digital payments are widely used, their behavioural impact varies across individuals

9. Hypothesis Testing Results

The chi-square analysis confirms that:

- Digital payments have a significant impact on financial behaviour
- They significantly affect spending habits and increase spending frequency
- They influence saving behaviour
- Security concerns significantly affect adoption
- Digital payments encourage impulse buying
- All null hypotheses (H_0) were rejected, indicating strong statistical evidence supporting the influence of digital payment systems on individual financial behaviour.

Findings

UPI is the most widely preferred digital payment method, mainly due to its speed, ease of use, and convenience in everyday transactions.

Young adults (21–30 years) form the largest group of users, indicating higher adoption among tech-savvy individuals.

Digital payments are used frequently (daily or weekly), showing their strong integration into routine financial activities.

The convenience of digital payments has increased spending frequency and encourages impulsive buying behaviour among users.

At the same time, digital payment systems help users track expenses and improve financial awareness through transaction records.

The impact on saving habits and budgeting is moderate, as some users benefit while others remain unaffected.

Dependency on cash is gradually decreasing, reflecting a shift toward a digital economy.

However, security concerns continue to influence user trust and usage of digital payment systems.

V. CONCLUSION

The study concludes that digital payment systems have significantly transformed the financial behaviour of individuals. The widespread adoption of digital payment methods, especially UPI and mobile wallets, reflects a strong shift toward convenience, speed, and efficiency in financial transactions. Digital payments have become an integral part of daily life, particularly among young and tech-savvy users.

The findings indicate that digital payments positively contribute to financial management by enabling better expense tracking, increased transparency, and improved accessibility to financial services. At the same time, the ease of transactions has led to higher spending frequency and impulsive buying behaviour, highlighting a negative impact on financial discipline.

Overall, digital payment systems have a dual impact on financial behaviour—enhancing financial awareness and efficiency while also increasing the risk of overspending. Therefore, responsible usage, financial literacy, and secure practices are essential to maximize the benefits of digital payments and minimize their potential drawbacks in the evolving digital economy.

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