

A Survey on Implications of Cashless Payments on the Spending Patterns of Urbanites in the Era of Digital India

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Abstract: In recent years, credit cards and other payment options like Paytm and Amazon Pay Later were utilized more than cash to buy goods and services. Buying with a credit card or an e-wallet is less uncomfortable and doesn't require instant payment (Journal of Consumer Research). Thus, the benefits of cashless payments are that they save time and don't require lengthy information. There's no need to queue up at an ATM or bring cards everywhere. With the switch to digital, users will have access to financial services 24/7, including holidays. So do digital wallets and UPI. Limitations on cash withdrawals from ATMs forced consumers to embrace digital wallets. Many mobile wallets and payment apps have no service or processing costs.

Objective: The Objective of the study is to assess the changing Spending behavior of urbanites using the electronic payments like (E-Wallets, Credit Cards, pay later options) etc.,

Methodology: data is collected through a structured questionnaire using printed questionnaire and a google form. Correlation and ANOVA has been used to find the relationship between the Income of the individual to mode of payment when shopping with family and friends and Spending more attracted by offers, overspending and increasing debt. Apart from that, income level and mode of payment while shopping with family and friends and Mode of payments for daily transactions.

Results: The result of the study shows that, there is a negative correlation exists between Income level to mode of payment while going out for shopping with family and friends [-0.30], Spending more than what you spend attracted by cash back offers [-0.26], and positive correlation growth in debt due to Credit cards, Paytm pay later, Amazon pay later etc., No correlation between Income level to overspending due to usage of credit cards pay later options. Income level to mode of payment and consumption pattern of the individual with family and friends while shopping and mode of payment consumption pattern of the individual for daily transaction are different.

Conclusion: The study concludes that, Saving and wealth creation and long-term financial plans of the urbanites are at stake due to digital payments, usage of credit cards and Pay later options. This would lead to like more interest payments for the repayment of debt, growth of fin tech entities and leads to concentration of society's wealth in few hands. It may lead to huge inequalities in income distribution and the rich become rich and poor become poor in the country. The changing lifestyle of millennials and the financial options for taking loans available through online and mobile apps leading to deaths due to inability to repay the debts in semi urban and urban areas. There is a huge increase in overspending, less saving and huge debt burden to households in the society.

Keywords: UPI, Digital Payments, Consumer Behavior, E-Wallets, Credit Cards, Digital Rupee, Correlation, ANOVA

I. INTRODUCTION

Paying your utility bills online has become commonplace. One app can pay for mobile, internet, and power bills. The government should use digital transactions to decrease black money and counterfeit notes. Another benefit of less expensive coinage may be economic. India is slowly adopting digital payments, with various new apps being developed. Es an easy and secure payment method.

A. More convenient, quicker: the benefit of cashless pay is that they are faster and require less information. There's no need to queue up at an ATM or bring cards everywhere. With the switch to digital, users will have access to financial services 24/7, including holidays. So do digital wallets and UPI.

B. Savings on transaction fees: Many mobile wallets and payment apps have no service or processing costs. Customers can use services for free using the UPI interface. Digital payment techniques lower costs.

C. Waivers, discounts and cashbacks: Customer rewards and discounts for using digital payment apps and mobile wallets. Many digital payment banks provide great cash back deals. Customers gain from this and go cashless.

D. digital transaction log: Another advantage on going digital is keeping track of all transactions. Customers can track every transaction, no matter how tiny.

E. Many digital wallets and payments. The apps now accept utility bill payments. One app can pay for mobile, internet, and power bills.

F. Helps regulate black money: Digital transactions will help the authorities keep track of things and reduce the circulation of black money and counterfeit notes. The cost of minting currency will also be decreased, helping the economy. In India, digital payments are steadily gaining traction, and a slew of new apps are being released in this space. It has evolved into a simple and secure method of payment. UPI transactions reached a new high of Rs 8.32 lakh crore in January 2022, the highest monthly value ever. According to NPCI data, the monthly average for the previous 12 months was Rs 6.3 lakh crore. The country's quick adoption of digital payment methods reflects the government's goal of making the economy paperless. Due to the pandemic-induced shift to contactless payments, UPI payments will achieve considerably faster prevalence from April 2020. UPI is now the country's largest retail payment system. During the 12-month period from February 2021 to January 2022, the Unified Payments Interface processed Rs 75.6 lakh crore (UPI). In the same year, 4,106 crore transactions were made. January saw 462 crore trades. The RBI's Digital Payments Index (DPI) grew from 100 in March 2018 to 304.06 crores in September 2021. India's banking and finance industry has embraced financial technology. India, a cash-based country, is going cashless. Fintech services and software have revolutionized consumer money management. The union of technology and money caused this transformation in financial behavior. India's fintech ecosystems have garnered large investments and funding. Even tiny businesses contribute to the growth of this large industry. Currently, the industry is expanding. India's government and banking industry help startups prosper. By reducing wasteful spending and tax evasion, McKinsey research in 2016 estimated annual savings of \$110 billion. Finally, by 2025, digital finance might add \$3.7 trillion to the yearly GDP of all emerging economies. India is the world's third-largest phone market. India's smartphone user base is predicted to grow by 859 million by 2022. The smooth transition of India's mobile network into a pure software service has also given various FinTech startups a green light.

Government and regulatory entities like SEBI and RBI encourage the cashless and digital economy. They're putting in a lot of effort to strengthen the startup infrastructure. The Indian government's Startup India project, for example, provides US\$1.5 billion in funding to entrepreneurs. For the first three years, startups are also exempt from paying income tax. Businesses that accept more than 50% of transactions digitally are also eligible for tax reductions. In India, digital payments are exploding, assisting the country's transition from a cash-based to a "Digitally Empowered Economy." With 1.5 billion digital payments per day and a \$5 trillion economy by 2025, India boasts one of the world's largest payment networks and a burgeoning digital economy. Despite cash's dominance, digital payments are fast expanding. India's payment ecosystem is being strengthened through e-payment modalities such as UPI, IMPS, NETC, BBPS, and Aadhaar-enabled Payment System (AePS). UPI transactions topped 2.8 billion in June 2013, according to the National Payments Corporation of India (NPCI), propelling India's digital economy. India's digital payment revolution is being fueled by rising smartphone ownership, internet user base, fintech industry entry, and technological developments. Citizens benefit immensely from easy, secure, and dependable access to a variety of digital payment options, which enhances their overall Quality of Life.

From June to October 2021, there was an increase in the use of digital payments and wallets, as more people chose to pay rent and school fees with credit cards. Similarly, during the holiday season, credit card spending on e-commerce purchasing rose from January to April and August to October. When the pandemic limitations were stringent and online food deliveries were the sole alternative to dining out, people spent over a billion rupees on food and beverages between March and May. Between July and October, there was a significant surge as prohibitions were relaxed in many areas and more people began to visit restaurants, cafes, and bars. The greatest food and beverage transactions and payments were made in August (1,750 crore) and September (1,727 crore). With 1,427 crores spent in October, the trend continued. In September, members were able to pay rent using CRED Max, which allowed them to place their largest expense, rent, on credit cards and put the savings to good use. Intriguingly, the month of September saw a total of 5676 crore spent on digital payments and wallets. This trend continued in October, with a total expenditure of 5744 crore. Previously, the highest amounts of money were spent in this category in July (4018 crore) and June (3463 crore). As new sessions began, credit card expenditure on education climbed dramatically. Tuition fees, school fees, and college fees using the paylater option in CRED Max discovered to be 186.39 crore in July to 238.97 crore in August 2021. More people put their large educational expenses on credit, resulting in significant spending in September (247.71 crore) and October (207.08 crore). Based on the above

facts and figures on the consumer spendings in India and the digital revolution, there is a change in the spending patterns of Urbanities. The study gives an overview on the past studies and the perception of the people in urban on their changing spending structures and payment modes. The first part of the study introduces the problem of the study stating the facts and figures and the second part dedicated to literature survey and third part is dedicated to data analysis and fourth part offers concluding remarks.

II. SURVEY OF LITERATURE

The theoretical aspects of various modes of payments in the digital era were critically examined to understand the structure of consumer spending patterns. Customers can use services for free using the UPI interface. Digital payment techniques lower costs. Customer rewards and discounts for using digital payment apps and mobile wallets. Many digital payment banks provide great cash back deals. Customers gain from this and go cashless. Another advantage of going digital is keeping track of all transactions. Customers can track every transaction, no matter how tiny. Customer consumption patterns are evolving, with more spending on superfluous items and apps like Amazon and Flipkart. This would impact long-term financial planning and saving habits.

The literature review specifies change in consumer spending behavior attracted by Cash back offers and discounts and the factors influence the payments mode. Chaithanya Bandi et al. (2019) investigated the impact of payment options on online retail transactions. The rapid demonetization of the Indian rupee in 2016 shook the entire Indian economy. The upshot of the cash shortage was an increase in the adoption and use of digital payments. The study examined over 2.5 million transactions from an Indian online retailer to assess the effects of payment digitization on online retail. Demonetization as an exogenous variation that drove some consumers to switch from cash to digital payments. Consumers that switch to digital payments preserve their purchase frequency but spend more and return less. Customer demand may help emerging-market businesses in addition to operational gains from payment digitization. On the other hand, Farah Diba Abrantes Braga et al. (2013) examined if consumers' purchasing behaviour is influenced by digital wallets as a payment method. Digital money appears to be even easier to use, more convenient, and less noticeable than any other form of payment. Consider the digital wallet: once an account is created, subsequent purchases can be made without referring to the payment mechanism at all, and advanced technologies allow consumers to make payments without much thought. While convenient, these mechanisms discourage consumers from deliberating over their spending behavior, resulting in a higher decoupling of spending and payment. Payment mechanisms have been proven to have repercussions for consumers' health in studies, since purchasing using credit cards may increase the risk of indulging in less healthful choices. On the top of that, Jashim Khan (2011) People's cognitive and emotional associations with payment modes were examined to investigate if and how these associations influence payment mode choice and purchase behaviour. The data reveal that payment method influences purchase value and volume. They spent substantially more than those who paid cash. Participants who often used cash or a debit card felt pleased about their choice. Participants, regardless of their preferred manner, did not enjoy money presents transferred into their bank accounts, believing that electronic card use harmed their knowledge of spending and money management skills. Meanwhile, Mridula M Menon et al. (2019) examined the E-Wallet Revolution among Indian Millennials. India is already on the verge of undergoing a significant digital transformation. The digitalization of the payment system is a watershed point in the cashless economy. While the use of smartphones and accessible Internet access is increasing in India, both urban and rural, E-Wallet acceptance has been overlapping. As a result of this article's findings, key stakeholders such as E-wallet builders and operators, software developers, and government organisations interested in learning more about the critical aspects used in E-wallet design may be impacted. The study's findings will help stakeholders improve E-Wallet features for Indian Millennials. Understanding user perceptions of E-wallet applications will help design effective marketing strategies. Ahmad Daragmeh et al examined the Continuous Intention to Use E-Wallet in the COVID-19 Pandemic (2021). Attitudes, contentment, perceived utility, and self-efficacy all influence consumers' intents to keep using e-wallets. The model also explained 55.9% of the variance in continuous intention. However, despite the COVID-19 pandemic's impact on current e-wallet use, consumer self-efficacy is the most crucial element determining long-term use. Using health threat constructs (as part of protective behaviours taken during the COVID-19 pandemic) to motivate consumers to use E-wallets is a short-term strategy that decisionmakers should use. Sachin Banker et al studied the brain mechanics of credit card use (2021). Consumer expenditures and rising household debt are commonly blamed on credit cards. Credit cards have been found to stimulate spending in ways that are difficult to justify merely financially. But the underlying psychological mechanisms are unknown. Credit cards, according to one idea, 'release the brakes' that keep spending in control. Credit cards, on the other hand, may increase the desire to spend. We show for the first time that real credit and cash buying alternatives alter brain activation. The occurrence of changes in reward network activity shows the potential neurological influence of newer payment devices in driving expenditure, according to the study. Based on the above literature, it is found that no study has

been carried out changing Spending behavior of urbanites using the electronic payments like (E-Wallets, Credit Cards, Pay later options).

Objectives

- To study the changing Spending behavior of urbanites using the electronic payments like (E-Wallets, Credit Cards, Pay later options) etc.,
- To assess the exaggerate spending pattern of urbanites based on income.
- To offer suggestions.

Limitations

- The study is meant for urbanites only
- The study based on convenience sampling

III. **DATA ANALYSIS AND RESEARCH DESIGN OF THE STUDY:** The data is collected using Printed questionnaire mostly from Chennai and Bangalore cities and few more using google forms. Convenience sampling is being used for the study; the total sample size is 192. Percentage analysis and ANOVA Test will carry out to test the data using SPSS V.21.

Table 3.1

S.No	Items (Sample Size:192)	Particulars	Number	Percentage	Analysis of Findings of the study
1	Gender	Male	108	56.3	56% of the respondents are male and another 44% are female.
		Female	84	43.8	
2	Marital Status	Single	17	8.9	Majority of the respondents are married up to 91%.
		Married	175	91.1	
3	Age	20-30 years	53	27.6	66% of the respondents are under the age group of 31-40 years.
		31- 40 years	128	66.7	
		41-50 years	11	5.7	
4	Religion	Hindu	158	82.3	Majority of the respondents are Hindu community followed by Muslims and Christians.
		Muslim	27	14.1	
		Christian	5	2.6	
		Sikhs	2	1.0	
5	Highest Qualification	Graduate	4	2.1	71.4% of the respondents are highly qualified.
		Post graduate	51	26.6	
		Post graduate and above	137	71.4	
6	Since how long you working?	0-2 years	37	19.3	45 % of the respondents are working in the same institution or organization.
		2-5 years	68	35.4	
		5 years and above	87	45.3	
7	Income Level	below 20000	68	35.4	35% of the respondents are having income less than 20000 and another 30% are
		20000 to 30000	3	1.6	

		31000 to 40000	59	30.7	having 31000 to 40000 income per month. Another high-income group constitute 32% with the income of 50000 to 100000.
		50000 to 100000	61	31.8	
		100000 and above	1	.5	
8	your spends out of your monthly income in percentage	25 %	2	1.0	53% of the respondents spend minimum 35% of the income and another 37% of the respondents spend more than 50% of their income. And 7.8% of the respondents spend above 75% of their earnings.
		35 %	102	53.1	
		50 %	71	37.0	
		75 %	2	1.0	
		75 % and above	15	7.8	
9	would you prefer to pay for your daily transactions by	Cash	59	30.7	36% of the respondents wish to go with blended more of payments. Another 32% prefer by E-Wallets and still 31% of the respondents go with cash payments for their purchases.
		E wallets	62	32.3	
		debit card	1	.5	
		credit card	1	.5	
		Blended (both Cash and E-Transactions)	69	35.9	
10	Would you agree with the statement' Cash less transactions are pain less'	Yes	179	93.2	93% of the respondents say cash less transactions are painless like Pay later options and credit card payments.
		No	13	6.8	
11	Mode of payment when you go out for shopping with family and friends to restaurants /Mall or any outing.	Cash	35	18.2	54% of the respondents are prefer to make payments using Paytm App and another 25% by Phone pay. 18% of the respondents would like to go with cash payments.
		Credit card	3	1.6	
		Paytm	104	54.2	
		Phone pay	48	25.0	
		Google pay	2	1.0	
12	Would you spend more than what you planned to spend attracted by cash back offers or discounts or buy one	Yes	162	84.4	84% of the respondents do spend attracted by
		No	4	2.1	
		may be	26	13.5	

	get one offer.				cash backs and discounts.
14	would you feel over-spending using Credit card/ pay later options by (Paytm/Amazon/Razorpay/Mobikwik)	Yes	153	79.7	80% of the respondents realise that they are overspending using the credit card, pay later options.
		No	15	7.8	
		may be	24	12.5	
15	did you realize that growth in household debt due to usage of Credit card/ pay later options by (Paytm/Amazon/Razorpay/Mobikwik)	Yes	188	97.9	98% of the respondents say there is growth in the household debt due to usage of Credit card/pay later options and leading to unwanted spendings in the household.
		No	4	2.1	
16	Did you feel your saving are becoming less due to usage of electronic payments in everyday purchases?	Yes	154	80.2	80% of the respondents confess that their saving become less due to electronic payments and end up on unwanted things too.
		No	14	7.3	
		may be	24	12.5	
17	Did you feel your long-term financial goals are at stake due to impulse purchases?	Yes	166	86.5	86% of the respondents feel that their long-term financial goals are disturbed due to impulse purchases using digital payments.
		No	13	6.8	
		may be	13	6.8	

Source: Computed

Hypothesis testing-Correlation

- A. H_0 : There is no significant difference between the income level and mode of payment when shopping with family and friends and Spending more attracted by offers, over spending and increasing debt.
- B. H_1 :There is a significant difference between the income level and mode of payment when shopping with family and friends and Spending more attracted by offers, overspending and increasing debt.

Table No: 3.2

Correlation Matrix					
Items	Income Level	Mode of payment when you go out for shopping with family and	Would you spend more than what you planned to spend attracted by cash back offers or discounts or buy one get one offer.	would you feel over-spending using Credit card/ pay later options by (Paytm/Amazon/Razor pay/Mobikwik)	did you realize that growth in household debt due to usage of Credit card/ pay later options by (Paytm/Amazon/Razor pay/Mobikwik)

		friends to restaurants /Mall or any outing				
Income Level	Correlation Coefficient	1.000	-.305**	-.266**	.034	.189**
	Sig. (2-tailed)		.000	.000	.635	.009
Mode of payment when you go out for shopping with family and friends to restaurants /Mall or any outing	Correlation Coefficient	-.305**	1.000	-.342**	-.235**	-.463**
	Sig. (2-tailed)	.000		.000	.001	.000
Would you spend more than what you planned to spend attracted by cash back offers or discounts or buy one get one offer.	Correlation Coefficient	-.266**	-.342**	1.000	.632**	.403**
	Sig. (2-tailed)	.000	.000		.000	.000
would you feel overspending using Credit card/ pay later options by (Paytm/Amazon/Razor pay/Mobikwik)	Correlation Coefficient	.034	-.235**	.632**	1.000	.680**
	Sig. (2-tailed)	.635	.001	.000		.000
did you realize that growth in household debt due to usage of Credit card/ pay later options by (Paytm/Amazon/Razor pay/Mobikwik)	Correlation Coefficient	.189**	-.463**	.403**	.680**	1.000
	Sig. (2-tailed)	.009	.000	.000	.000	

Source: Computed

As per the above table there is a negative correlation exists between Income level to mode of payment while going out for shopping with family and friends [-0.30], Spending more than what you spend attracted by cashback offers [-0.26], and positive correlation growth in debt due to Credit cards, Paytm pay later, Amazon pay later etc., No correlation between Income level to overspending due to usage of credit cards pay later options.

Hypothesis testing using ANOVA

A. H_0 : There is no significant difference between the income level and mode of payment when shopping with family and friends and Mode of payments for daily transactions.

H_1 : There is a significant difference between the income level and mode of payment when shopping with family and friends and Mode of payments for daily transactions.

Table No:3.3

ANOVA		Sum of Squares	Df	Mean Square	F	Sig.
Mode of payment when you go out for shopping with family and friends	Between Groups	16.229	4	4.057	2.222	.068
	Within Groups	341.438	187	1.826		
	Total	357.667	191			
mode of payment for your daily transaction by	Between Groups	184.687	4	46.172	22.629	.000
	Within Groups	381.558	187	2.040		
	Total	566.245	191			

Source: Computed

Based on the above table the mode of payment and consumption pattern of the individual with family and friends while shopping and mode of payment consumption pattern of the individual for daily transaction are different. At the 5% level of significance, probability value is < 0.05 for mode of payment for your daily transaction, where the null hypothesis is rejected, and alternative hypothesis is validated. On the other hand, probability value is > 0.05 for mode of payment for shopping with family and friends. So, the null hypothesis is accepted i.e there is no significant difference between the income level and mode of payment when shopping with family and friends.

IV. CONCLUSION

Based on above analysis it is observed that, there is a spectacular change in the consumption pattern of urbanites in the era of digital revolution in the country. The income of the urbanites, the mode of payment and consumption pattern of the individual with family and friends while shopping and the mode of payment consumption pattern of the individual for daily transaction are different. Since the percentage analysis, confirms that, there is an overspending tendency and household debt issues using e wallets (54% of the respondents over spend attracted by offers and cash backs), pay later options available now a days. Another 84% of the respondents say they are attracted by offers, discounts and cashbacks, 80% of them say their savings become less. So, Saving and wealth creation and long-term financial plans of the urbanites are at stake due to digital payments, usage of credit cards and Pay later options. This would lead to like more interest payments for the repayment of debt, growth of fin tech entities and leads to concentration of society's wealth in few hands. It may lead to huge inequalities in income distribution and the rich become rich and poor become poor in the country. The changing lifestyle of millennials and the financial options for taking loans available through online and mobile apps leading to deaths due to inability to repay the debts in semi urban and urban areas. There is a huge increase in overspending, less saving and huge debt burden to households in the society. The Growth of Unicorn in the field of Fintech Industry is at the cost of rate of interest paid for loans by its people. It may lead to deterioration of human resources and their earning which goes in payment of rate of interest in their lifetime. Digital revolution and home grown UPI (unified payments interface) has driven millions of transactions every day in the country (22 billion transactions recorded in 2020-21 reported by Pwc and expected to grow by 169 billion by 2025-26) and newer avenues like buy now pay later, recent Government of India's Introduction of Digital Rupee from November 1, 2022 for whole sale payments for retail payments from December 1, 2022, corporate payments and offline payments providing insights in to the current and change in the future digital payments landscape and will become a key factor in influencing consumer spending behavior in the days to come.

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