



Impact of Credit Cards on Digital India Cashless Economy

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Abstract: - The Digital India campaign's objectives, especially the promotion of a cashless economy, have been greatly advanced by the use of credit cards in India. By offering consumers a safe, effective, and practical substitute for cash transactions, credit cards promote digital payment practices. The increasing popularity of digital financial tools is shown in their extensive use in both metropolitan and semi-urban settings. Credit cards are necessary for smooth digital transactions because they are integrated with mobile wallets, e-commerce, and online platforms. Furthermore, discounts, reward points, and EMI alternatives are examples of incentives that increase customer involvement. This change has lessened reliance on cash and increased financial transparency. Using a credit card also helps people become more mindful of their credit and formalize economic activity. Credit cards continue to play a significant role in influencing India's cashless future as fintech advancements and digital infrastructure grow. Under the Digital India vision, their influence advances the more general goals of financial inclusion, economic digitization, and sustainable growth.

Keywords

Digital India, Credit Cards, Cashless Payments, Digital Economy, Financial Inclusion, Fintech, Electronic Transactions, Secure Payments, Consumer Behavior, Credit Awareness, Financial Literacy, Digital Infrastructure, Transaction Transparency, Cashless Transactions

Introduction

Global financial transactions have been transformed by the advent of digital payment methods, and India has been at the forefront in embracing this shift. Digital transactions have increased significantly since the demonetization in 2016, and credit cards have emerged as a crucial enabler in the shift to a cashless economy. This study looks at how credit cards are influencing consumer purchasing habits, encouraging digital payments, and influencing overall economic trends in India.

With programs like "Digital India" and financial inclusion laws, India's goal of a cashless society is quickly becoming a reality. Because of their security features, convenience of use, and incentive-based usage, credit cards remain relevant even as UPI and mobile wallets have grown in popularity. According to Reserve Bank of India reports, credit cards are becoming more and more popular in both urban and rural areas, which is indicative of their crucial role in the ecosystem of digital payments.

Analyzing consumer behavior and the socioeconomic factors influencing adoption is necessary to comprehend the effects of credit cards. Credit cards are linked to more frequent digital payments and higher-value purchases, according to studies. However, obstacles like income inequality and a lack of financial knowledge still hinder their adoption. Through an examination of usage patterns,

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behavioral changes, and their wider economic implications, this research aims to investigate how credit cards support India's digital revolution.

Objectives:

1. Examine India's Credit Card Adoption and Growth:

This goal examines the adoption of credit cards by various demographic groups and geographical areas, highlighting important elements such as infrastructure, regulation, and digital literacy that affect their use in the digital economy.

2. Assess the Effect on Purchase Behavior:

The study looks into how consumer spending patterns are influenced by credit cards, including changes in frequency of purchasing, a move toward cashless transactions, and psychological impacts associated with easy access to credit.

3. Assess the Financial Effects of Credit Card Use:

In addition to discussing the advantages and disadvantages of broad credit card use, this goal evaluates how credit cards help small businesses, advance financial inclusion, and boost India's GDP.

Research Gap:

Long-term economic effects, such as savings rates, debt levels, and the incorporation of cutting-edge technology like blockchain for improved security and transaction efficiency, are not thoroughly examined in the credit card research that is currently available in India's paperless economy.

Literature Review:

Indian Credit Card Adoption and Growth

Credit cards are a major factor in the digital payments that have propelled India's transition to a cashless economy. According to the Reserve Bank of India (2021), credit card usage is increasing significantly and is growing faster than other digital payment methods. Increased digital literacy and government initiatives to promote financial inclusion following demonetization are the main drivers of this expansion. The urban-rural divide and the need for focused strategies to solve it are highlighted by **Jain and Sharma (2018)**, who point out that urbanization, income levels, and education are important factors influencing credit card acceptance.

Effect on Purchase Behavior:

In India, credit cards have had a major impact on consumer spending patterns by encouraging more frequent and higher-value non-cash purchases. According to **Sharma and Singh (2019)**, credit cards are preferred over cash or other digital payments because of their convenience and benefits. However, because credit is so easily accessible, credit cards often encourage people to spend more than they intend to. As noted by Kumar and Shah (2020), who stress the need for improved credit management education, this has sparked worries about consumer debt and financial literacy.

Using data from 127,854 respondents in 123 countries, this study examines the ways in which financial inclusion and the adoption of digital payments affected the innovation of payment systems during COVID-19 (Global Findex Survey 2021). Through the use of random utility theory and the quadruple helix innovation model, it investigates consumer preferences for cashless bill payment and in-store and online purchasing. The findings indicate that the use of digital payments was positively impacted by financial inclusion, with important variables including income, education, employment, mobile access, and internet connectivity. Men were more likely than women to shop online, and socioeconomic, regulatory, and digital infrastructure issues affected cross-country variations. For those involved with digital payments, the report offers insights. (**Traoret and Niankara, 2023**)

Compressed Economic Consequences and Financial Inclusion:

Since credit cards give underprivileged groups access to credit, they are crucial in advancing financial inclusion in India. Singh and Patel (2021) highlight how they might help small and medium-sized businesses (SMEs), encouraging economic growth and entrepreneurship. Broader inclusion is hampered by issues like stringent criteria and low awareness.

On the other hand, Russia's increase in cashless payments has a clear J-curve, with e-money and debit cards driving the change. **Gorshkov (2022)** claims that a centralized system that aims to improve digital governance and financial security is supporting this expansion, which is primarily driven by external sources.

Obstacles & Difficulties

Even while credit cards are becoming more and more popular in India, a number of obstacles prevent them from fully embracing a cashless society. Low financial literacy, high perceived costs, and fraud concerns—particularly in less urbanized areas—are major obstacles. The acceptance of credit cards is further restricted in rural areas by inadequate digital infrastructure, indicating the need for more robust legislative assistance to foster trust and lower transaction costs (Kumar & Shah, 2020).

UPI and other digital payment methods have made transactions more convenient, but they also have a big impact on consumer purchasing patterns. 75% of customers reported higher spending, with high levels of satisfaction and simplicity of use, according to a study that included 235 survey responses and 20 interviews (Dev, Gupta & Kumar, 2024). These results show that in order to promote responsible use and increase financial inclusion, digital payment systems must continue to be improved.

Through platforms like the Internet, IoT, blockchain, and artificial intelligence, the digital economy connects people, businesses, and data. It enables online transactions and innovation, which sets it apart from old approaches. One important element is Industry 4.0, which transforms companies through the use of technologies like cloud computing, AI, robotics, and big data to enable integrated value networks and smarter operations. (Javaid et al., 2024).

In a cashless economy, digital tools like cards, wallets, and e-banking take the role of actual money. India is moving toward a "Faceless, Paperless, Cashless" system as part of the Digital India program, which encourages financial inclusion and transparency. By increasing production and employment, this change lowers tax evasion, increases consumption, and promotes economic growth.

Research Methodology

The growth, adoption trends, and economic effects of credit card use in India are investigated in this study using a secondary data analysis method. For statistics on credit card issue and developments in digital transactions, data is obtained from reliable sources like the Reserve Bank of India (RBI). Information about the frequency of transactions and the use of digital versus cash is available from the National Payments Corporation of India (NPCI). Industry publications from PwC, KPMG, and Bain & Company provide further data and insights into payment patterns and consumer behavior. Scholarly examination of credit card usage and its function in India's digital economy is provided by academic journals.

Quantitative Component –

Goal: - To use numerical data to examine the credit card adoption rate, transaction frequency, and regional usage trends in India.

Tool: - statistical analysis of financial reports, NPCI, and RBI secondary data.

Result: - Offers quantifiable information about credit card usage trends, growth trends, and their role in the cashless economy.

Qualitative Component –

Goal: - To comprehend how consumers behave, what they like, and how they perceive using credit cards in a cashless economy.

Tool: - Content analysis of academic publications, industrial reports, and expert opinions.

Result: - Provides a contextual understanding of the economic, social, and psychological elements affecting the adoption and use of credit cards.

Research Design

- In order to investigate credit card usage patterns in India's cashless economy, this study employs a descriptive research design. To find trends, habits, and economic ramifications, it uses secondary data. For thorough insights, the design facilitates both quantitative and qualitative study.

Research Instruments

- Survey Questionnaire: Gathers user behavior, threat perceptions, and acceptance levels.

- Interview Guide: Offers a framework for qualitative discussions on individual views and risk perceptions.

Sampling Technique

- Stratified Random Sampling: Guarantees representation across demographics like age, gender, income, and location for both phases of research.

Sample Size

- Quantitative: 120 respondents to guarantee statistically significant outcomes.

- Qualitative: 20–25 participants for in-depth, manageable insights.

Data Collection Methods

- **Primary Data:** In order to learn more about credit card usage and how it affects cashless transactions in India, the main technique of data collection is to survey and interview people.
- **Secondary data:** To examine the effects of credit cards on India's cashless economy, secondary data is gathered from reliable sources such as the RBI, NPCI, industry papers, and scholarly journals.

Data Analysis Techniques

- Quantitative:** Using secondary data, regression analysis and descriptive statistics will examine patterns in credit card usage, transaction volumes, and expansion.
- Qualitative:** To find important themes in credit card usage and its effects on digital payments, content analysis will examine industry reports, expert opinions, and consumer behavior.

Research Questions

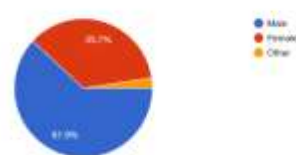
1. What demographic characteristics influence Indian consumers' use of credit cards?
2. What impact do credit cards have on the purchase decisions and spending patterns of consumers?
3. How does credit card use affect consumer purchasing, business dealings, and general economic growth in India?

Data Analysis

How likely are you to recommend the use of credit cards as a method of payment to others? 47 responses



Gender 42 responses



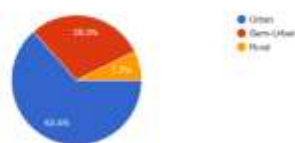
Age	Percentage
Under age 18	Negligible
18-25	38.1%
26-35	19%
36-45	19%
46-60	11.9%
Above 60	9.5%

Gender	Percentage
Male	61.9%
Female	35.7%
Other	2.4%

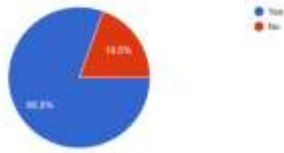
Occupation 47 responses



Location 41 responses



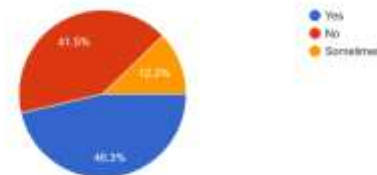
Do you own a credit card?
47 responses



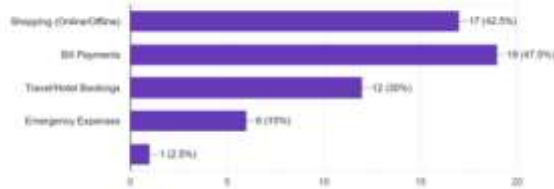
Occupation	Percentage
Student	26.2%
Professional/Employee	23.8%
Self-employee/ Entrepreneur	14.3%
Retired	Minimal presence
Other	35.7%

Location	Percentage
Urban	63.4%
Semi-urban	29.3%
Rural	7.3%

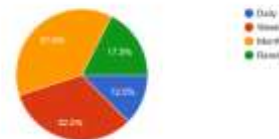
Do you prefer using a credit card over cash for transactions?
41 responses



What are the main purposes of using your credit card? (Select all that apply)
40 responses



How often do you use your credit card for payments?
40 responses

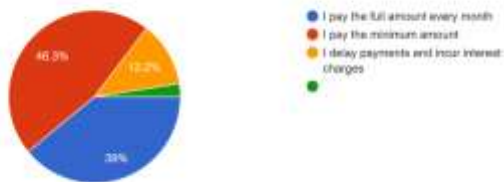


Ownership	Percentage
Yes	80.5%
No	19.5%

Usage Frequency	Percentage
Daily	37.5%
Weekly	32.5%
Monthly	17.5%
Rarely	12.5%

Purposes of using your credit card	Percentage
Shopping (Online/Offline)	42.5%
Bill Payments	47.5%
Travel/Hotel Bookings	30%
Emergency Expenses	15%
Other	2.5%

How do you manage your credit card payments?
41 responses



Over cash for transactions	Percentage
Yes	46.3%
No	41.5%
Sometimes	12.2%

Have you noticed an increase in online and digital transactions due to the availability of credit cards?
39 responses



Do you think that the government's push towards a cashless economy (through initiatives like Digital India) is positively impacted by credit card usage?
41 responses



In your opinion, what are the key benefits of using credit cards in a digital economy? (Select all that apply)
41 responses



How secure do you feel while using credit cards for online transactions in the digital economy?
41 responses

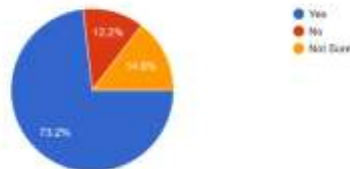


Manage your credit card payments	Percentage
I pay the full amount every month	39%
I pay the minimum amount	46.3%
I delay payments and incur interest charges	12.2%
Other	2.5%

Growth of a cashless economy	Percentage
Yes	73.2%
No	12.2%
Not Sure	14.6%

Increase in online and digital transactions	Percentage
Yes, significantly	35.9%
Yes, to some extent	38.5%
No change	20.5%
No, it has decreased	5.1%

Do you think credit cards contribute to the growth of a cashless economy in India?
41 responses



cashless economy	Percentage
Yes	53.7%
No	29.3%
Not Sure	17.1%

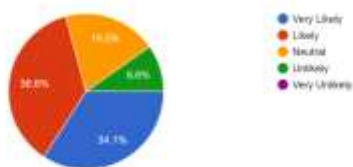
Key benefits of using credit cards in	Percentage
Convenience and Ease of Use	17.1%
Cashless Transactions	39%
Instant Access to Credit	39%
Rewards and Cashback Offers	31.7%
Better Record Keeping/Financial Tracking	7.3%

Secure do you feel while using credit cards	Percentage
Very Secure	19.5%
Somewhat Secure	36.6%
Neutral	34.1%
Somewhat Insecure	9.8%
Very Insecure	0%

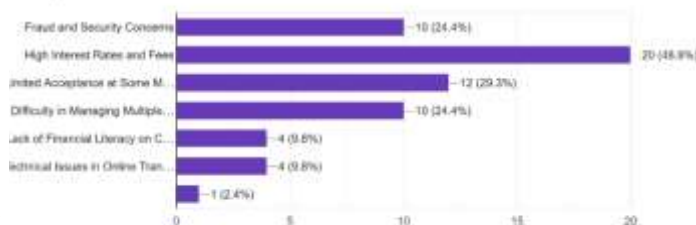
likely are you to recommend	Percentage
Very Likely	34.1%
Likely	36.6%
Neutral	19.5%
Unlikely	9.8%
Very Unlikely	0%

Crucial role in transforming	Percentage
Yes	42.9%
No	33.3%
Not Sure	23.8%

How likely are you to recommend the use of credit cards as a method of payment to others?
47 responses

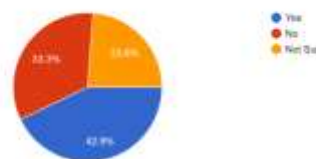


What challenges or issues have you faced while using credit cards in the context of Digital India?
(Select all that apply)
41 responses



challenges or issues	Percentage
Fraud and Security Concerns	24.4%
High Interest Rates and Fees	48.8%
Limited Acceptance at Some Merchants	29.3%
Difficulty in Managing Multiple Cards	24.4%
Lack of Financial Literacy on Credit Card Usage	9.8%
Technical Issues in Online Transactions	9.8%

Do you believe that credit card usage will play a crucial role in transforming India into a fully cashless economy?
42 responses



Results and findings:-

- Growing Credit Card Usage:** The government's push for digital payments has led to a notable increase in the use of credit cards, particularly since demonetization.
- Urban Dominance:** While usage is still low in rural areas, adoption rates are higher among urban, affluent, and tech-savvy populations.
- Growth of Digital Payments:** Credit cards play a significant role in digital transactions, particularly in the high-value retail and e-commerce industries.
- Change in Spending Patterns:** Users who have easy access to credit tend to spend more and more frequently.
- Impulse Purchases:** Due to delayed payment flexibility, many consumers have a tendency to overspend or make impulsive purchases.
- Risk of Debt Accumulation:** More and more consumers, particularly young people, are dealing with difficulties of mounting debt and inadequate credit management.
- Support for the Formal Economy:** More digital transactions increase openness and decrease cash transactions that go undetected.

8. **Retail and E-commerce Growth:** By facilitating bigger, smoother transactions, credit cards help businesses expand.
9. **Financial Inclusion Gaps:** Although cards provide access to credit, lower-income and rural groups still have limited access to them.
10. **Security and Technology Integration:** New developments in technology, including as contactless and app-based payments, enhance user experience and security, which increases acceptance.

Conclusion:-

This report emphasizes how important credit cards are to India's cashless economy, which is growing steadily due to policy initiatives, urbanization, and digital awareness. By decreasing reliance on cash, credit cards facilitate transactions and encourage economic formalization. But they also have an impact on spending patterns, which can occasionally result in excessive debt, particularly for young people who lack financial self-control. Adoption is still urban and income-skewed despite increased availability, underscoring persistent inclusion issues. Targeted regulations and financial education are necessary to guarantee more widespread, responsible credit card use across all social and geographic groups in order to optimize benefits.

Implications:-

Encouragement of Digital Payments: In line with India's digital strategy, credit cards facilitate the transition to cashless transactions.

Financial Inclusion: Although their reach in rural areas is still restricted, they provide formal credit access, which promotes inclusion.

Growth of E-commerce: Credit cards encourage online buying, which promotes jobs and digital innovation.

Stop Black Money: Credit card usage digital trails improve transaction transparency and cut down on unreported cash flow.

Increased Consumer purchasing: While rewards and EMIs encourage purchasing, they must be used responsibly to prevent debt.

Better Tax Compliance: Electronic records improve tax revenue collection and support government oversight.

Infrastructure Gaps: While rural adoption is hampered by inadequate connectivity and digital literacy, urban areas gain.

Cybersecurity Risks: As digital payments increase, there is a growing concern about fraud, necessitating increased security and public awareness.

Limitations:-

1. **Dependency on Secondary Data:** It might not capture subtle user behavior or current trends.
2. **Low-income and rural communities are underrepresented in urban-centric data.**
3. **Sample Bias:** Adoption insights are skewed by financial publications' frequent emphasis on current bank clients.
4. **Outdated Information Risk:** Some findings may become outdated due to swift changes in fintech and regulation.
5. **Lack of Qualitative Depth:** Knowledge about user motivations and perspectives is limited in the absence of original data.
6. **No Causation Proof:** Because of outside factors, correlations are unable to verify cause-and-effect linkages.
7. **Unaddressed Regional Disparities:** Local literacy and infrastructural issues may go unnoticed in national data.
8. **Limited Spending Pattern Data:** Access to comprehensive consumer behavior data is restricted due to privacy concerns.
9. **Insufficient Rural Insights:** It is difficult to identify obstacles in less developed areas.
10. **Mixed Methods:** A more thorough analysis may be possible by combining primary and secondary data.

Future Research directions:-

1. **Payment Preferences:** Examine how urban and rural customers use credit cards differently and the reasons why some people choose them over wallets or UPI.
2. **Credit Cards vs. New Tech:** Examine the differences between digital alternatives such as cryptocurrency,

3. BNPL, and biometric payments, as well as how they relate to UPI.
4. **Financial Inclusion:** Examine how credit cards can be used to reach unbanked people and pinpoint issues with usage in rural areas.
5. **Cost and Accessibility:** Assess if credit cards are within the means of low-income consumers and how partnerships broaden their appeal.
6. **Economic Role:** Evaluate how credit card use affects tax receipts, consumer expenditure, and the decline in unofficial cash transactions.
7. **No Causation Proof:** Because of outside factors, correlations are unable to verify cause-and-effect linkages.
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