

Impact Of Digital Payments And UPI Adoption On Consumer Financial Behaviour Comparative Analysis Across Age Cohorts In Emerging Market like India

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ABSTRACT

This study examines the impact of digital payment systems, particularly UPI (Unified Payments Interface), on consumer financial behaviour in India. With the rapid growth of digital platforms such as Google Pay and Phone Pay financial transactions have become faster and more convenient.

The research focuses on how different age groups (youth, middle-aged, and elderly) adopt digital payments and how it influences their spending, saving, and financial decision-making patterns. Using a descriptive and analytical approach, the study highlights behavioural differences and identifies key factors influencing adoption. The findings suggest that younger consumers show higher adoption and increased spending tendencies, while older groups exhibit lower usage due to security concerns and lack of digital literacy. The study concludes with recommendations to improve financial awareness and promote responsible digital payment usage.

Keyword : Digital payment ,UPI, Mobile Payment Apps ,Google pay ,Phone pay,
Saving pattern, Consumer Decision-making.

I. Introduction

India has experienced a major transformation in its financial system with the growth of digital payments, especially after the launch of UPI by National Payments Corporation of India in 2016. Events like demonetization and increased smartphone usage accelerated the shift from cash transactions to digital payments through apps like Google Pay and PhonePey. This change has influenced consumer financial behaviour by affecting spending habits, saving patterns, and budgeting decisions. Younger age groups like Gen Z and Millennials show higher UPI adoption due to convenience and digital familiarity, while older consumers remain more cautious because of security concerns and lower digital literacy.

II. REVIEW OF LITERATURE

Sharma and Gupta (2022) found that younger consumers, especially those between 18–30 years, prefer UPI for daily transactions, online shopping, and peer-to-peer transfers. Their study showed that digital convenience increases transaction frequency and spending behaviour.

Patel (2023) observed that older consumers adopt digital payments more slowly due to concerns about fraud, security, and lack of digital literacy. However, trust increases when users receive proper guidance and experience safe transactions.

Rao and Mehta (2021) concluded that digital payments reduce the “pain of paying,” leading to impulsive spending and reduced budgeting discipline, particularly among young users. Their research highlighted that frequent UPI use may negatively affect savings habits.

Kumar and Singh (2024) compared age cohorts and found that Millennials and Gen Z show stronger dependence on digital payments than Generation X and senior citizens. Younger users focus more on convenience, while older users prioritize security and reliability. These studies indicate that UPI adoption strongly influences consumer financial behaviour, but the level of impact differs across age groups. This creates the need for a comparative study across age cohorts in emerging markets like India.

III. RESEARCH GAP AND CONTRIBUTION

Although many studies have examined digital payments and UPI adoption in India, limited research has focused on comparing consumer financial behaviour across different age cohorts such as Gen Z, Millennials, Generation X, and senior citizens. Most existing studies mainly discuss adoption rates, convenience, and financial inclusion, but fewer studies analyze how UPI affects spending habits, savings patterns, budgeting discipline, and financial decision-making differently among age groups. There is also a lack of comparative research specifically in emerging markets like India, where digital transformation is rapid but financial literacy and technology access vary widely. This study contributes by providing a comparative analysis of UPI’s impact on financial behaviour across age cohorts, helping to understand generational differences and offering useful insights for policymakers, banks, and digital payment service providers.

IV. Objectives of the Study

1. To study the adoption of digital payments and UPI among consumers in India.
2. To compare UPI usage patterns across different age cohorts.
3. To analyze the impact of UPI adoption on spending, saving, and budgeting behaviour.
4. To examine whether younger consumers show higher digital payment dependency than older consumers.
5. To identify the challenges and risks associated with digital payment usage across age groups.

V. Scope of the Study

This study focuses on the impact of digital payments and UPI adoption on consumer financial behaviour in India. It compares spending, saving, and budgeting habits across different age groups such as Gen Z, Millennials, Generation X, and senior citizens. The study covers consumers using UPI for daily financial transactions in urban and semi-urban areas. It examines factors like convenience, security, frequency of usage, and financial decision-making. The findings will help understand generational differences in digital payment behaviour in emerging markets like India.

VI. Hypothesis of the Study

(H₀): There is no significant difference in UPI usage frequency among different age cohorts in India.

(H₁): There is a significant difference in UPI usage frequency among different age cohorts in India.

(H₀): There is no significant difference in UPI usage frequency among different age cohorts in India.

(H₁): There is a significant difference in UPI usage frequency among different age cohorts in India.

(H₀): There is no significant impact of UPI adoption on saving and budgeting behaviour among consumers of different age groups.

(H₁): There is a significant impact of UPI adoption on saving and budgeting behaviour among consumers of different age groups

VII. Research Methodology.

The study is based on both primary and secondary data. Primary data is collected through a structured questionnaire from consumers of different age groups such as Gen Z, Millennials, Generation X, and senior citizens who actively use digital payments and UPI services. The questionnaire focuses on spending habits, saving patterns, budgeting behaviour, frequency of UPI usage, convenience, and security concerns.

Secondary data is collected from research journals, books, government reports, RBI publications, National Payments Corporation of India reports, newspapers, and websites related to digital payments and consumer financial behaviour.

The collected data is analyzed using simple statistical tools such as percentage method, averages, tables, bar charts, and comparative analysis to understand the impact of UPI adoption across different age cohorts in India.

VIII. Data Analysis and Interpretation

1. Demographic Analysis The majority of respondents (47.3%) belong to the 18–25 years age group, followed by 32.7% in the 26–35 years category.

This indicates that younger consumers are the primary users of digital payments and UPI platforms, reflecting higher technological adaptability and preference for cashless transactions.

Additionally, 58.2% of respondents were male and 41.8% were female, suggesting relatively balanced gender participation in digital payment adoption, though slightly higher usage among males.

2. Digital Payment Usage Behaviour A significant 74.5% of respondents use UPI and digital payment apps daily, highlighting widespread adoption and integration into everyday financial activities such as bill payments, shopping, and peer-to-peer transfers.

This high frequency indicates:

Strong dependence on digital platforms

Convenience-driven financial behaviour

Shift from cash-based to cashless economy

3. Impact on Consumer Financial Behaviour The mean score for statements related to financial behaviour changes due to digital payments was above 4.00, indicating strong agreement among respondents.

Table 1: Impact of Digital Payments on Consumer Financial Behaviour

Factor	Mean Score	Interpretation
Spending Convenience	4.15	High
Financial Tracking	4.02	High
Reduction in Cash Usage	4.10	High
Impulse Spending	3.95	Moderate- High
Overall Impact	4.05	Strong Postive

Interpretation:

The table clearly shows that digital payments and UPI have a strong positive impact on consumer financial behaviour, particularly in terms of convenience and reduced reliance on cash. However, slightly lower scores for impulse spending suggest a potential behavioural risk.

IX. Hypothesis Testing

For Hypothesis 1:

Mean = 4.05

SD = 0.85

$t(109) = 12.71$

Since the calculated t-value is greater than the critical value at the 5% significance level, H_{01} is rejected. This indicates that digital payments and UPI adoption significantly influence consumer financial behaviour.

Similarly, all other hypotheses were tested and showed calculated t-values higher than critical values. Therefore, all null hypotheses are rejected.

X. Major Findings

- Younger consumers such as Gen Z and Millennials use UPI more frequently for daily transactions, online shopping, and peer-to-peer payments compared to older
- Generation X and senior citizens use digital payments mainly for utility bills, essential purchases, and bank-related transactions, showing more cautious adoption.
- UPI adoption has increased spending convenience, but it has also led to impulsive spending and reduced budgeting discipline, especially among younger users.
- Older consumers show concerns regarding security, fraud, and lack of digital literacy, which affects their willingness to adopt digital payments fully.
- Digital payments have improved financial inclusion and reduced cash dependency, but the impact on savings behaviour differs significantly across different age cohort

XI. Suggestions

1. Financial literacy programs should be conducted to educate consumers, especially older age groups, about safe and effective use of UPI and digital payments.
2. Banks and payment service providers should improve security features and awareness campaigns to reduce fear of fraud and increase trust among users.
3. Young consumers should be encouraged to maintain budgeting discipline and control impulsive spending while using digital payment platforms.
4. Government and financial institutions should promote digital payment adoption in rural and semi-urban areas by improving internet access and smartphone availability.
5. User-friendly applications with simple interfaces should be developed to make digital payment systems more accessible for senior citizens and less tech-savvy users.

XII. Limitation of the Study

The study is limited to a selected number of respondents from different age groups and may not fully represent the entire population of India. The use of convenience sampling may affect the accuracy and generalization of the findings. The research mainly focuses on urban and semi-urban consumers, so rural consumer behaviour may not be fully covered. Time constraints and limited availability of respondents also affected data collection. In addition, consumer financial behaviour may change over time due to technological advancements and policy changes, which may influence the study results.

XIII. Conclusion

The study concludes that digital payments and UPI have significantly changed consumer financial behaviour in India by making transactions faster, easier, and more convenient. Younger age groups such as Gen Z and Millennials show higher adoption due to better digital literacy and frequent usage, while older consumers remain cautious because of security concerns and lack of technical knowledge. UPI has increased spending convenience and financial inclusion, but it has also influenced budgeting and saving habits, especially among young users. To

ensure balanced growth, improving digital literacy, security, and awareness across all age groups is necessary for the successful and responsible use of digital payment systems

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