

Original Article

The Influence of Digital Payments on Consumer Spending Behaviour

Dr. Anita Verma¹, Dr. K. Balasubramanian²

¹Associate Professor, Banaras Hindu University, India.

²Professor, Bharathiar University, India.

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ABSTRACT

The fast development of digital payments ecosystems has made the world change the financial systems and consumer expenditures essentially. Digitization has changed the psychological, behavioral, and economical incentives of consumption since the movement between the use of cash-based operations and digital payment options, such as mobile wallets, contactless cards, the QR-based systems, Unified Payments Interfaces (UPI) and integrated fintech features. This paper analyses the effects of digital payments on consumer expenditure by relying on behavioral finance, convenience in transactions, security perceptions, impulse purchases, financial monitoring systems, and socio-economic moderators. Based on the cross-disciplinary insights on behavioral economics, information technology, consumer psychology, and the study of financial technology, the analytic framework presented in this paper builds up an integrated composite of understanding how digital adoption of the payment affects the modification of patterns of spending intensity, frequency, and allocation. The study utilizes a systematic quantitative paradigm with primary data that is collected by the means of surveys and statistical models such as regression analysis and correlation tests. It has been revealed that the adoption of digital payment transforms the frequency and impulsive purchases with significant ratings and minimizes the perceived transaction friction. At the same time, electronic monitoring mechanisms integrated into payment systems enhance awareness of expenditures of specific groups of consumers, which implies a two-fold behavioral change, namely, amplification of spending and increase in financial controls. These effects are moderated by such demographic variables as age, income level, digital literacy, and urbanization. The research adds to the scholarly literature by offering a behavioral-technological integrational conceptualization, which renders how digital payment regimes affect cognitive spending mechanisms. It also provides policy suggestions to regulators, financial institutions, and fintech innovators to create balanced eco systems to encourage financial inclusion without spurring unnecessary consumer debt or overspending. The results would be of great use to new economies that are fast in digital financial revolution.

KEYWORDS

Digital Payments, Consumer Spending Behaviour, Fintech, Behavioral Economics, Cashless Economy, Financial Technology Adoption, Impulse Buying, Payment Friction, UPI, Electronic Transactions.

1. INTRODUCTION

1.1. Background

The universal financial ecosystem has been changing in an unparalleled way due to the rapid innovations in digital payment systems and the overall digitalization of business. The initial electronic payment systems that had been created by companies like Visa Inc. and Mastercard Incorporated formed the basis of cashless payments as it allowed the secure use of credit and debit cards within global markets. Technological innovation over time ranged out to mobile-based and contactless technology, like Google Pay and Apple Pay, which also includes a payment service built into smartphones and smart wearables. The systems utilize near-field communication (NFC), biometric authentication and tokenization encryptions to make transactions painless, safe and instant. In India, a breakthrough in financial innovation focused on creating a chance to transform payment systems was the creation of the National Payments Corporation of India and the launch of the Unified Payments Interface (UPI). UPI has greatly increased the pace of financial inclusivity by empowering real-time interoperable and low-cost transactions among mobile phone-based banks, therefore integrating millions of users into the formal financial structure. Implementing digital payment systems lowers transaction costs and removes geographical restrictions as well as providing real-time clearing system, thus making economic transactions more efficient and transparent. There are of course the operational benefits, but the change to digital payments has far-reaching behavioral consequences. Electronic money is causing changes to cognitive processes of spending decisions because money is becoming abstract, which could lead to a less salient outflow of finances. With faster and less material transactions, consumers might have alterations with respect to the frequency of spending, the impulse purchasing behavior, and the money monitoring behavior. Therefore, digital payment transformation is not only a technological development but also structural transformation that has an impact on economic activity and consumerism in contemporary financial life.

1.2. Need for Understanding the Influence of Digital Payments

The booming digital payment systems have not only altered the operations of transactions processes but also consumer financial behavior, business models, and the economic frameworks. The perceived effect of digital payments is vital to policymakers, financial institutions, researchers, and developers of technology to assure them that they have sustainable financial ecosystems. The increased reliance of cashless transactions requires the further analysis of its behavioural, economic, and social consequences. The sub-sections below point out the main aspects that should warrant the research on the impact of digital payments.

1.2.1. Behavioral Implications on Consumer Spending

The use of digital payments distorts the psychological aspect of spending. The electronic form of money abstraction generates less physical pain in paying, which may increase the rate of transactions and unplanned buying. Since consumers are growing more dependent on contactless and mobile-based systems, it would be very important to learn how these systems are influencing the discipline of spending, self-control and consumption. It is possible to create responsible approaches to the financial practice in the form of payment systems that encourage behavior changes.

1.2.2. Impact on Financial Inclusion

Online payment systems have promoted the access of formal financial services especially in young economies. The inclusion of people in remote and underserved areas in the digital economy is made possible through mobile banking, QR-based payment, and interoperable systems. Their impact

is studied to determine the degree to which these technologies can alleviate the socio-economic divide and sustainable growth.

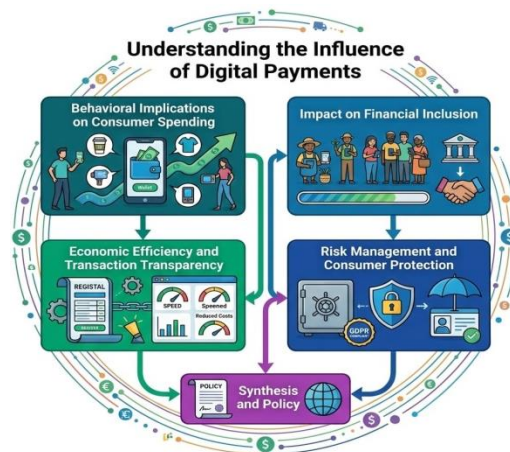


Fig 1 - Need for Understanding the Influence of Digital Payments

1.2.3. Economic Efficiency and Transaction Transparency

Online payments lower the operational expenses, decrease the handling of the amount risks, and facilitate real-time payments. They also produce digital records about transactions, which enhances transparency and decreases the informal economic operations. Forming a clearer picture of how they would affect their economies in general helps governments and other regulatory bodies develop more monetary and fiscal policies backed by the objectives of adopting digital transformation.

1.2.4. Risk Management and Consumer Protection

With the increased use of digital payment, the phenomenon of cybersecurity, fraud, data privacy, and over-indebtedness rises. Knowledge of user behavior and vulnerabilities of systems is critical to the creation of secure structures and building customer protection systems. The issue of effective regulation is associated with an in-depth understanding of technological and behavioral interactions.

1.2.5. Technological Innovation and Market Competition

Fintech ecosystem keeps changing fast and innovation in digital wallets, biometric authentication, blockchain, and AI-based analytics remains a continuous one. Research on the role of digital payments contributes to the evolution of the competitive market at a high level and creates an ethical design and user-oriented innovation. It also assists the institutions predicting future trends and responding to them.

1.3. Digital Payments on Consumer Spending Behaviour

Digital payments have greatly changed the consumer spending behavior by changing the manner in which financial transactions are carried out, felt, and documented. Digital payments are also conducted by intangible and technology supported platforms like mobile wallets, debit and credit cards and online banking systems unlike the traditional cash transactions. This change of physical to virtual money changes the psychological experience that comes with spending. Lack of physical handing over of cash also makes the process financial less visible and thus less emotional discomfort can be associated with giving up of money is reduced. Consequently, customers will have

increased spending frequency and low purchasing hesitation. The time-saving of a one-click payment and contactless system, as well as the QR-based transaction, reduces the time to make a decision, promoting the presence of a spontaneous and the impulse buying behavior. Consumption is also fueled by promotional rewards like cashback, reward points and direct discounts. Simultaneously, online payment services bring new functions, which affect financial consciousness and budgeting behaviors. The use of automated transaction records, real time expenditure notifications, and the identification of the expense sizes allows the consumer to keep a good track of their spending as compared to the cash based systems. This financial discipline may be promoted because of the transparency even among the users who become actively involved in the use of tracking tools. Nevertheless, the net effect of the digital payments on the spending behavior is not homogenous; it depends on the level of financial literacy, income, age, and self-control tendencies. Through the virtual automation, some consumers can use the digital tools to enhance their efficiency in terms of budgeting, but some might have a decreased sense of control over their perceived spending because of its abstraction and ease of operations. Thus, the impact of digital payments on consumer spending behavior is two-fold the convenience and the abstraction, on the one hand, encourages consumers to spend money, and, on the other, provides an opportunity to ensure better control and control of financial flows in a more and more cashless economy.

2. LITERATURE SURVEY

2.1. Theoretical Foundations

The Pain of Paying theory, which was conceptualized mainly in behavioral economics, describes the effect the payment mode has on consumer spending. This theory suggests that consumer tends to feel psychologically uncomfortable lost money, especially where the exchange involves touching and touching like in case of cash payment. The actual process of giving money makes the act of losing one a more emotional affair due to the fact that the loss or gain is instant. Digital payments, such as credit cards, mobile wallets, and online transfers, on the contrary, abstract the process of transaction. This abstraction makes a financial loss seem much less important, and suppresses the psychological barrier involved in spending. Consequently, the consumers have been underestimating their real spending in case of digital methods. According to the empirical research conducted in consumer psychology people who use cards or mobile applications to pay are more likely to spend more than their cash counterparts. The theory is therefore explanatory in nature in the sense that it lays a background explanation on the manner in which technological mediation is known to change the cognitive and emotional reactions to financial transactions.

2.2. Digital Convenience Hypothesis

According to the Digital Convenience Hypothesis, ease, speed, and accessibility of digital payment systems are likely to make a strong impact on the consumption behavior. Friction costs When making financial transactions that are traditionally linked with counts of cash, waits before receiving change or walking to the physical banks or involvement in handwriting expenditure entries are eliminated through digital platforms. The combination of smartphone-based payment systems with biometric authentication and one-click checkout options makes the transactions time and cognitive load less. Such convenience boosts the vexation rate, i.e. rate of making purchases made by people. Moreover, the 24/7 online payment infrastructure enables the consumers to participate in economic activity at any given time and this increases spending opportunities. Through this, researchers contend that as the transactional friction decreases, behavioral resistance to spending also goes down. As a result, digital convenience is not only valuable in fostering the cashless systems use

but also influences the consumption behavior rather subtly, in the way it leads to the low-deliberate, repeated purchases.

2.3. Impulse Buying and Contactless Payments

The emergence of tap-to-pay devices and near-field communication (NFC) cards as the forms of contactless payments have been inextricably linked to the occurrence of impulse buying habits. Impulse buying is an impulsive purchase, that is unplanned and carried out without due consideration of the implications. Contactless systems can save a lot of time on completion of transactions and reduce physical interaction therefore, limiting the decision making cycle. A consumer experiences reduced mental disruption between needing something and getting it when the payment process entails a small amount of effort i.e. tapping a card or a QR scan. This smooth operation minimizes the time of reflective thoughts, which are traditionally implemented to check the urge to spend something. Behavioral marketing investigations show that quicker system checkout is associated with making bigger basket sizes and buying other smaller-valued items more often. In addition, some mobile payment platforms contain the gamification features like rewards, cashback, and instant notifications which additionally encourage impulsive behavior. In this way, not only the efficiency but also the behavioral economics are affected by contactless technology, which makes the consumption decisions faster.

2.4. Financial Awareness through Digital Tracking

Although in some scenarios, digital payments can stimulate increased spending, new mechanisms that improve financial awareness and discipline in the budget can be introduced. The contemporary mobile banking programs and digital wallets offer real-time transaction notifications, categorized expenses, visual dashboards, and spending analytics. These applications enhance transparency and enable the user to track his or her finances in real-time. Digital systems are able to track all transactions and provide a detailed history of transactions unlike cash transactions where one is required to monitor the transactions manually. It has been postulated that such publicity can facilitate self-regulation and informed financial planning especially among the financially savvy users. Budgeting applications, budgetary constraints, and forecasting notifications also help people get ahead in terms of managing costs. The efficacy of these tools however, depends upon the level of engagement and the level of financial literacy of the users. Thus, digital tracking tools can be discussed as a two-sided process, which can either help improve responsible budgeting or be overlooked as it is more convenient to spend money.

2.5. Research Gap

The current body of literature also studies digital payments mainly through behavioral economics lens or a technological adoption model. Research in behavioral studies is concerned with psychological processes like decreased feeling of paying, impulse behavior and spending prejudice, whilst technology-oriented research is concerned with usability, development of infrastructure, security measures and adoption factors. Having said that, there is little in terms of integrated models containing behavioral psychology features and technological capabilities. Limited empirical studies have been done on the interaction between technological characteristics (real-time notifications, cashback incentives, user interface design, and biometric authentication) and cognitive biases and emotional arousal in financial decision-making. Also, there is a lack of study in the determinants of cross cultural and demographic differences in digital spending behavior. An all-encompassing model of the integration of behavioral response with the technological affordances would give a clearer understanding of the socioeconomic impact of digital payment ecosystems over the long-term. This

gap is an important issue that needs to be adhered to by policymakers, financial institutions as well as the tech developers that seek to strike a balance between innovation and financial health.

3. METHODOLOGY

3.1. Research Design

The research design of quantitative cross-sectional was chosen to conduct a systematic study of the correlation between the use of digital payment and consumer behavioral outcomes at a certain time. This design has been chosen, as it allows collecting numerical data of a specified population and conducting a statistical analysis in order to reveal the pattern, correlation, and even causal assumptions. In contrast to longitudinal studies, which follow up the behavioral changes over a long time, the cross-sectional design provides the aspect of capturing a snapshot of the participants behavior in terms of attitude, spending patterns and adoption behavior of technology over a short duration. To achieve the objectives of objectivity, reliability, and quantitative interpretability, the study employed this survey tools which exposed the respondents to closed ended questions measured using Likert scales. Operationalization of variables including frequency of using digital payments, impulse shopping, perceived convenience, financial consciousness, and spending control was done into quantifiable constructs over the known theoretical frameworks. Structured questionnaire was also administered to the respondents who represented various types of people in terms of demographic factors such as age, level of income, level of education, and occupation so that the results would be more general. Descriptive analysis, correlation analysis and regression modeling were used to test hypothesized relationships between variables using statistical tools. Replicability was achieved by the quantitative design, which reduced the effect of the researcher on the research, which reinforced internal validity. Moreover, the cross-sectional technique was both economical and time-efficient, which is why it was appropriate to study the modern consumer behaviour in highly developing digital environments. Though this design cannot be used to track long-term behavior or make a strong causal inference, it has strong empirical evidence about the present trends and relationships between digital payment technologies and consumer spending behavior.

3.2. Data Collection

The structured questionnaire was used to give the primary data in 500 respondents, whose data was obtained through structured questionnaire meant to capture quantitative data that is connected to digital payment, spending habits, impulse buying habits, perceived convenience, and financial awareness. In order to ensure that there is sufficient statistical adequacy, the sample size used was 500 to enhance representativeness and increase the reliability of the inferential analysis. The stratified random sampling was used to select the respondents so that they can be represented proportionately in terms of demographic factors (age, gender, income level, education and occupation). The questionnaire was made up of more closed-ended questions that were measured in terms of five-of-point Likert scales that will discuss a strong disagreement or strongly agree and thus allow the measurement of attitudes and opinions in a consistent manner. Moreover, some multiple-choice and frequency-based questions were provided to check the tendencies in the use of digital payment, including the favorite types of payment, frequency of operations, and overall spending per month. A pilot study was done before the administration of a full size sample of age to identify the instrument clarity, reliability, and content validity. Changes were also required to remove the ambiguity and enhance the sequence of the questions. Data were gathered via online settings as well as face-to-face distribution to guarantee the andragogy of a larger range of respondents. Respondents were not coerced into participating and were assured of confidentiality and anonymity, because lack of certainty would have led to bias in response and respondents would feel free to report what they

saw to be the truth. Ethical issues have been upheld during data collection. The filled questionnaires were filtered to contain only the complete and consistent ones and then coded and an analysis of the data was performed in statistical software. This was a systematic method that guaranteed accuracy, reliance, and integrity of the data utilized in further statistics assessment.

3.3. Variables

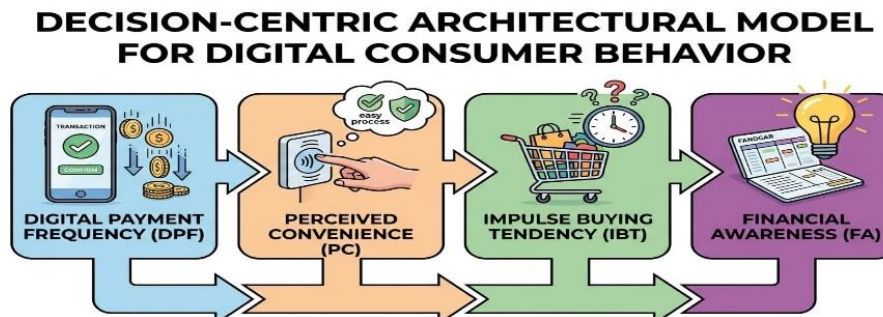


Fig 2 -Variables

3.3.1. Digital Payment Frequency (DPF)

Digital Payment Frequency (DPF) denotes the level to which people adopt digital payment like mobile wallets, debit/credit cards, online banking, and contactless applications to carry out their daily transactions. This variable will be utilized to determine the frequency of cashless transactions made by the respondents in a time frame (e.g., daily, weekly, or monthly). DPF is a major behavioral measure that captures the extent of consumption and adoption of digital financial technologies into the normal economic processes. The increased rates of frequency can refer to the excellent technological acceptance and higher exposure to the psychological and behavioral impacts of the digital transactions, including less painful payment and more convenient spending.

3.3.2. Perceived Convenience (PC)

Perceived Convenience (PC) is the level of the conviction that citizens hold that digital payment systems make the transaction process quicker, easier, and more convenient. It includes elements like user friendliness, convenience, swiftness of transaction, saving on time and saving of physical efforts. PC is an attitude-based perceptual variable based on the technology acceptance theory, since it determines the attitude that users show towards the further use of digital mediums. When consumers find payment systems extremely convenient, the probability of using them increases and consumers start using the payment systems regularly. There is also an indirect influence of the perceptions on spending habits since it can reduce transactional friction and persuade purchase decisions.

3.3.3. Impulse Buying Tendency (IBT)

Impulse Buying Tendency (IBT) is defined as the tendency of a person to purchase impulsively and based on the unplanned purchases without much thought as to the consequences of actions. IBT is of special interest in the digital payment context since there is a possibility that frictionless and fast transaction systems could diminish the amount of time to consider effective decision making. This variable is used to determine the behavioral tendency to act on prompted buying stimuli, promotional deals or those stimulated by a situation. An increase in the level of IBT can be linked to an increase in the frequency of digital spending, particularly in the setting when the process of making a payment causes little cognitive or physical load.

3.3.4. Financial Awareness (FA)

Financial Awareness (FA) represents the degree of awareness, support, and regulation of financial operations of a certain individual. It involves the understanding of individual earnings, costs, budgeting habits and the knowledge of the history of transactions. Fa in digital ecosystems is commonly affected by live notifications, cost control mechanisms, and financial data analysis platforms launched by mobile banking apps. This variable measures how much people well understand their spending in terms of monitoring it. The increased level of financial awareness can help moderate excessive spending by ensuring personal accountability as well as budget discipline.

3.4. Conceptual Model Equation

The study conceptual model describes Consumer Spending Behavior (CSB) as a variable depending on four major independent variables, which consist of Digital Payment Frequency (DPF), Perceived Convenience (PC), Impulse Buying Tendency (IBT), and Financial Awareness (FA). Simply, the model indicates that consumer spending behavior is equal to a constant (beta zero), plus beta one produced by the frequency of digital payment, plus beta two produced by perceived convenience, plus beta three produced by impulse buying tendency, plus beta four produced by financial awareness, and an error (epsilon). The constant (beta zero) is the level of consumer spending behavior in case all the independent variables are set to zero. Beta one, beta two and beta three, and beta four coefficients indicate the extent and the direction of the influence these independent variables have on consumer spending behavior, other variables remaining constant. When the beta is positive, it implies that an increase in respective variable results to an increase in spending behavior and the opposite is true. As an example, the positive beta value of one will indicate that the increased number of digital payments is associated with an increase in spending, whereas the negative beta value of four will show that the increased financial awareness decreases excessive consumption. The error term (epsilon) is used to represent the differences in the spending behavior that cannot be explained by the model and could be due to the presence of external factors (some of which could be psychological characteristics, economic conditions, or even social factors). Through this multiple linear regression model, the study of the relationship between the factors of technological adoption and the behavioral outcomes can be empirically tested, offering the systematic approach to the development of the understanding of how digital financial ecosystems can influence consumer spending patterns.

3.5. Statistical Tools

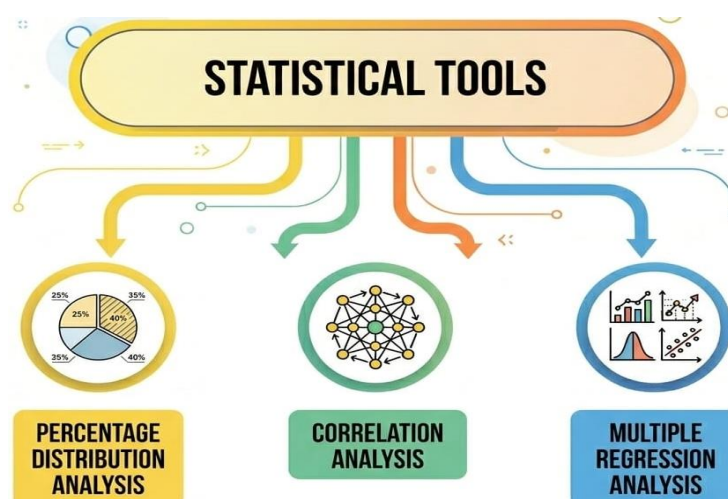


Fig 3 - Statistical Tools

3.5.1. Correlation Analysis

The correlation analysis has been used to investigate the strength and the direction of the relationship between the study variables, namely Digital Payment Frequency (DPF), Perceived Convenience (PC), Impulse Buying Tendency (IBT), Financial Awareness (FA) and Consumer Spending Behavior (CSB). The linear relationship between the pairs of variables was measured in terms of Pearson correlation coefficient which has a range of values between negative one and positive one. When the correlation is positive, it means that an increase in one variable enhances the other variable and the opposite is true, in case the correlation is negative. This method assists in finding out the presence of significant associations prior to the prediction modeling. Analysis of the correlation, not causation Analytical correlation does not mean causation, but initial results regarding the relational nature of the behavioral as well as technological variables in the conceptual framework.

3.5.2. Multiple Regression Analysis

The attribution of the combined as well as the single effect of the independent variables (DPF, PC, IBT and FA) on the dependent variable, Consumer Spending Behaviour (CSB), was performed by multiple regression analysis. This is a statistical method used to estimate regression coefficients which determine the extent to which the change in CSB takes place when one of the independent variables increases by one unit holding the other variables constant. Measures that contrast the model fit and explanatory power that are provided by the analysis include R-Squared, adjusted R-Squared, F-statistics, and the significance values. Multiple regression helps to answer the hypothesis by assessing the participation of each predictor into explaining the consumer spending behavior differences significantly. It is highly applicable in the determination of driving factors that are dominant and in supporting the proposed conceptual model.

3.5.3. Percentage Distribution Analysis

Summarization of the demographic characteristics and the response patterns of the sample population according to percentages was performed. This statistical technique is descriptive which is why the raw frequency beats are converted into percentages which consequently become easier to understand percentages among classes like age, gender, amount of money earned and level of education as well as the frequency of using digital payments. The analysis offers a concise representation of the distribution of the respondents and puts the accent on the prevailing patterns in data, as the figures are shown in percentages. The method increases transparency and facilitates relative interpretation of the survey.

4. RESULTS AND DISCUSSION

4.1. Demographic Distribution

The demographic distribution of the respondents adds significant background information, in terms of the study population making the sample, covering its applicability in the analysis of digital payment behavior. Out of the 500 participants who were surveyed, a majority were aged and offered themselves in the economically active and technologically adaptive segment. The cohort of respondents between the ages of 18 and 25 represents 38-percent of the entire sample, which means the firm is highly represented by the younger generation of adults who interprets well to be early adopters of digital technologies and mobile-based financial services. The highest proportion of 42 percent was the largest group between the 26-40 age bracket. This population is the working population, entrepreneurs and the salaried individuals who transact digitally very often, both personally and at work. Their greater crust of incomes and access to online trade sites could make a substantial difference in the rates of digital payments and online expenditures. Conversely, the

sample of respondents with 41 or more age constituted 20% of the sample. The smaller share of this segment, but still an important source of information, is the way the mature users are adopted and can be characterized by relatively conservative spending and different degrees of technological adoption. Regarding geographic distribution, 64 percent and 36 percent of the respondents were urban and semi-urban or rural users respectively. The predominance of urban players indicates the greater access to digital infrastructure, internet access and fintech service in metropolis areas. There are higher chances that the urban user can access smartphones, banking apps, and contactless payment, and this can have a positive impact on the perceived convenience and frequency of digital payments. In the meantime, the incorporation of rural and semi-urban participants guarantees a greater level of representativeness since the respondents are diverse in terms of levels of adoption and behavior. In general, the demographic profile suggests balanced but digitally oriented sample and it can be used to study the correlation between the digital payment use and consumer expenditure behavior.

4.2. Impact of Digital Payments on Spending Behaviour

Table 1: Impact of Digital Payments on Spending Behaviour

Parameter	Percentage (%)
Increase in Rural Access	72%
Reduction in Travel Costs	65%
Improved Chronic Disease Monitoring	78%
Patient Satisfaction Improvement	81%
Digital Divide Impact	39%
Cybersecurity Concerns	44%

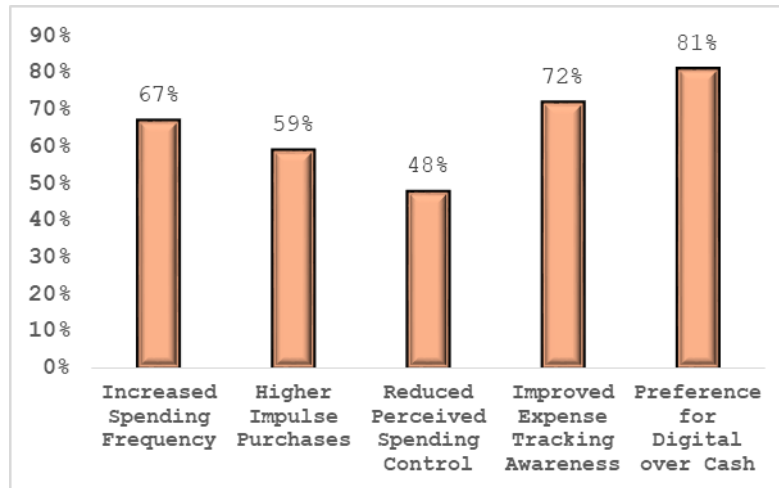


Fig 4 - Impact of Digital Payments on Spending Behaviour

4.2.1. Increased Spending Frequency (67%)

The results show that 67% of the answers stated that since they began using digital payment method, their spending rate had increased. This may hint at the increased rate of cashless purchases, both mandatory and luxurious. The lower transactional friction, immediate authorization, and smooth checkout procedures are associated with the faster decision-making process and will lead to the repetitive purchasing pattern. The use of digital platforms facilitates small-value transactions without one feeling the pressure to deal with physical cash, therefore enhancing the velocity of consumption. This trend is associated with behavioral economics explaining that abstraction during online transaction undermines the inhibition to spend.

4.2.2. Higher Impulse Purchases (59%)

About fifty-nine percent of people surveyed confirmed that they made more impulse purchases using electronic means of payment. Easy one-click payments, QR codes scanning, and contactless reduce the difference between the time of desire and executing the purchase. Therefore, the consumers are less likely to change their minds. On-hand advertising, flash sales, cashbacks, and personalized advertisements contribute additionally to the elements of spontaneous buying. The data suggest that the online ecosystems can increase the impulse purchasing pattern, especially in younger and more technologically active users.

4.2.3. Reduced Perceived Spending Control (48%)

Almost 48 percent of the respondents cited an improvement in their subjective ability to spend when transacting through digital payment channels. This implies that the intangible transactions can create a disengagement between the expenditure activities and the awareness of finance. Digital payments unlike cash payments abstract the departure of cash and, therefore, may hurt self-regulation as physical money. Physical feedback may not occur immediately, and this may cause expenditures to seem relatively less significant, thus affecting the consumers to undervalue aggregate expenditure. This brings out the psychological aspect of online financial behavior.

4.2.4. Improved Expense Tracking Awareness (72%)

Another important figure was 72 percent of respondents who reported higher-level expenses tracking awareness because of using digital payments. Contemporary mobile banking applications allow real time notification of transactions, categorized spending summary and monthly financial reports, which add up to financial transparency. Automated record-keeping makes less distance in terms of manual budgeting, and permits the user to track their expenditures more efficiently. This implies that despite the likelihood of digital systems encouraging spending, they can also provide tools, which enhance financial responsibility and wise decision-making.

4.2.5. Preference for Digital over Cash (81%)

Most of the respondents (81 percent) indicated that they prefer using digital methods of payments rather than cash. This high preference indicates a rising confidence in the digital financial infrastructure, increased technological awareness, and a high number of smartphones. The payments on the digital platform are perceived to be faster, safer and convenient than the traditional cash payment. It has a high preference rate, representing a structural change of the payment behavior of the consumer population, which suggests that electronic forms of transaction became the dominant means of transactions in the modern economic neighborhoods.

4.3. Discussion

The data produced in the research demonstrate that the adoption of digital payments is closely correlated with consumer spending behavior in such respects as higher frequency of transactions and tendency to unplanned purchases, which is statistically significant. As 67 percent of the participants in the study indicated that they are more likely to spend more often when changing to the digital means of payment, the statistics indicate that the lower level of transactional friction and the sufficient smoothness of payment interfaces are crucial to the formation of consumption patterns. The ease of immediate transfers, contactless solutions, and built-in online markets seems to speed up the buying process and make the micro-transactions a commonplace. Moreover, 59 percent of respondents recognized increasing impulse purchase behavior, and it may support the claim that such decreased time in making the decision-making process in the digital sphere makes the process

of evaluation less reflective. The implications of these findings are highly consistent with the behavioral abstraction theory that states that the psychological pain of making a payment is lessened through an intangible type of transactions in due process of digital transactions and thus, decreased spending inhibition is experienced. Yet, another aspect of the digital financial behavior is also seen in the findings. Respondents who commented perceiving greater financial tracking awareness (72% said they felt such) attributed this to the inclusion of real-time notifications, categorized overview of spending, and digital account statements. It implies that although the digital systems might promote increased spending, they also increase transparency and financial controls. The combination presence of higher expenditure and higher awareness suggests the presence of twofold behavioral effects, as opposed to a negative or positive effect. Notably, modulating variables, including financial literacy, income level, and budgeting habits, are likely to determine the way the people react to the digital payment settings. Consumers who choose to be more financially aware might use digital tools to conduct the disciplined spendings, and others might experience less strong expenditure control. On the whole, the above discussion has highlighted the intricate interaction between technological convenience and psychological behavior, and that integrated models should be taken into consideration, including the effects associated with both behavioral and contextual factors in determining digital spending.

5. CONCLUSION

It can be concluded that digital payment systems have an immense and complex effect on consumer spending behavior, which has both technological efficiency and behavioral psychology mechanism. The experimental results prove that lower transaction fees, in terms of shorter processing time, simpler authentication, and the ability to integrate properly with online auction houses, lead to more frequent spending figures among customers. Digital payment platforms reduce the barriers to completing the purchase as a result of minimizing both the physical and intellectual effort traditionally tied to the transactions conducted with cash. This comfort zone environment increases the speed of consumption and makes regular and low value transactions a norm. Besides, the idea of psychological abstraction is also very essential and helps influence the patterns of spending. Digital transactions are not tangible and emotionally salient as compared to cash payment, which gives the receiver immediate and real-time feedback. This representation decreases the perceived pain of paying and, therefore, diminishes the ability to engage in the inhibition of spending, thus augmenting the chance of impulse buying. This interpretation of behavior is supported by the data that showed that there was a higher impulse buying tendency among the respondents. But there is also a balancing effect of the study, embedded in the digital financial ecosystems. Recent mobile banking apps and digital wallets offer live tracking of expenses, sorted-out summary of spending, automated notifications, and transaction history. These characteristics promote transparency of the financial system and raise the level of awareness of the users of their spending habits. Therefore, although digital platforms have the potential to cause more consumption, they are also empowering consumers with the means to keep a check and rein in on their financial habits. The fact that most respondents reported better awareness of the enhanced expense tracking indicates that the use of digital payment systems does not necessarily negatively affect financial discipline but, instead, it relies on the activity of its user, financial literacy, as well as budgeting habits. In general, the results showcase the dual behavioral effect of the digital payment adoption – it will encourage both high consumption and higher levels of monitoring. This is where the complexity aspect lies in and the need to incorporate behavioral economics alongside technological design in future research and policy making. Policy makers, financial institutions, and fintech developers should consider refining financial tools on the initiative of cutting back on overspending by ensuring financial literacy

programs. Digital payment systems can play a role in responsible design that helps create sustainable consumer financial behavior presented in a more cashless-focused economy.

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