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## **Digital Payments and Consumer Buying Behavior in India: A Review**

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### **Abstract**

The rapid advancement of digital payment systems has significantly transformed the financial and commercial landscape in India, influencing how consumers interact with markets and make purchasing decisions. This review paper examines the relationship between digital payment systems and consumer buying behavior by synthesizing existing literature on key trends, determinants, and behavioral outcomes. Digital payment methods such as Unified Payments Interface (UPI), mobile wallets, debit and credit cards, and internet banking have enhanced transaction efficiency, convenience, and accessibility, thereby encouraging widespread adoption across diverse demographic segments. The study highlights how these systems impact consumer behavior by increasing spending frequency, facilitating impulse purchases, and shifting preferences toward both online and digitally enabled offline transactions. Furthermore, factors such as perceived ease of use, trust, security, and promotional incentives are identified as critical determinants influencing adoption and usage patterns. While digital payments contribute to financial inclusion and economic transparency, challenges such as cybersecurity risks, privacy concerns, and digital literacy gaps continue to affect consumer confidence. The review concludes that digital payment systems not only serve as transactional tools but also play a crucial role in reshaping consumer behavior in India's evolving digital economy.

**Keywords:-** Digital Payments, Consumer Buying Behavior, UPI, Financial Technology (FinTech), India

### **Introduction**

Digital payment systems have emerged as a transformative force in India's economic and commercial landscape, fundamentally altering the way consumers engage in financial transactions and make purchasing decisions. Over the past decade, the rapid expansion of digital infrastructure, increased smartphone penetration, and supportive policy initiatives have accelerated the adoption of cashless payment methods such as mobile wallets, internet banking, and Unified Payments Interface (UPI). Government-led programs promoting financial inclusion and a less-cash economy, combined with the disruptive effects of demonetization in 2016 and the



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subsequent growth of fintech innovations, have further catalyzed this shift. As a result, digital payments are no longer confined to urban, tech-savvy populations but have increasingly penetrated semi-urban and rural markets, reshaping consumption patterns across diverse socio-economic groups. This transition has introduced greater convenience, speed, transparency, and accessibility into everyday transactions, reducing reliance on physical cash and enabling seamless purchasing experiences across online and offline platforms.

The growing prevalence of digital payment systems has significant implications for consumer buying behavior, influencing not only how purchases are made but also the frequency, value, and nature of consumption. Digital transactions often reduce the psychological barriers associated with spending, leading to increased impulsive buying and higher transaction volumes. Features such as cashback offers, discounts, and reward programs further incentivize consumers to prefer digital modes over traditional payment methods. At the same time, factors such as perceived security, trust, ease of use, and technological literacy play a crucial role in shaping adoption and usage patterns. While digital payments enhance efficiency and broaden market participation, concerns related to data privacy, cyber fraud, and digital divide continue to affect consumer confidence and behavior. This review seeks to synthesize existing literature on digital payment systems in India, focusing on key trends, determinants, and behavioral outcomes associated with their usage. By examining the interplay between technological innovation and consumer decision-making, the study aims to provide a comprehensive understanding of how digital payments are redefining purchasing behavior in the Indian context.

## **Need of the study**

The need for this study arises from the rapid expansion of digital payment systems in India and their growing influence on consumer purchasing patterns, financial behavior, and overall economic activities. In recent years, India has experienced a major transformation in payment methods due to technological advancement, smartphone penetration, internet accessibility, and government initiatives promoting a cashless economy. Digital payment platforms such as mobile wallets, Unified Payments Interface (UPI), debit and credit cards, and online banking have changed the traditional way consumers make payments and purchase goods and services. This shift has not only made transactions faster and more convenient but has also influenced consumer decision-making, spending habits, and shopping preferences. Consumers are now more inclined toward online shopping, digital subscriptions, and instant purchases due to the ease of digital payments. Cashback offers, discounts, reward points, and promotional schemes provided by digital payment companies and e-commerce platforms further encourage consumers to spend more frequently and sometimes impulsively. Therefore, it becomes necessary to study how digital payment systems are affecting consumer buying behavior, including spending patterns, purchase frequency, brand choice, and financial planning.



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Moreover, this study is important because digital payment adoption varies across different demographic groups such as age, income level, education, occupation, and urban–rural population. While urban consumers have widely adopted digital payments, rural consumers are still in the adoption phase due to challenges such as lack of digital literacy, poor internet connectivity, and security concerns. Understanding these differences is essential for policymakers, banks, financial institutions, and digital payment companies to develop better strategies for promoting digital financial inclusion. The study will also help businesses and marketers understand how digital payment options influence consumer satisfaction, loyalty, and purchasing decisions. In addition, digital payments generate transaction data that can help analyze consumer behavior patterns and market trends. Therefore, the study is needed to understand the relationship between digital payment systems and consumer buying behavior, identify opportunities and challenges in digital payment adoption, and contribute to the development of a more efficient, transparent, and inclusive digital economy in India.

## Conceptual Framework

The conceptual framework of this study integrates the understanding of digital payment systems with established theories of consumer buying behavior to explain their interaction in the Indian context. Digital payment systems refer to electronic methods of financial transactions that eliminate the need for physical cash, including tools such as mobile wallets, Unified Payments Interface (UPI), debit and credit cards, internet banking, and QR code-based payments. These systems are characterized by speed, convenience, accessibility, and technological integration. On the other hand, consumer buying behavior encompasses the decision-making processes and actions of individuals involved in purchasing goods and services, influenced by psychological, social, cultural, and economic factors. Classical models such as the Engel–Blackwell–Miniard model and the Theory of Planned Behavior highlight how attitudes, perceived control, and external influences shape purchasing decisions. The linkage between digital payments and consumer behavior lies in the way technological attributes modify consumer perceptions and actions; ease of use and instant transaction capability can reduce cognitive effort and increase purchase frequency, while incentives like cashback and rewards can stimulate impulse buying. Simultaneously, perceived risk, trust, and security concerns act as moderating variables. Thus, the framework suggests that digital payment systems not only facilitate transactions but also actively reshape consumer decision-making patterns, spending habits, and overall market behavior in India.

## Benefits of Digital Payment Systems

Digital payment systems offer a wide range of advantages that have significantly transformed financial transactions and consumer experiences, particularly in a rapidly digitizing economy like India. One of the primary benefits is speed and convenience, as transactions can be completed



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instantly anytime and anywhere without the need for physical cash or bank visits. This enhances efficiency in both online and offline purchases. Another major advantage is financial inclusion, as digital platforms enable access to banking and payment services for previously unbanked and underbanked populations, especially in rural and semi-urban areas. Digital payments also promote transparency and accountability, as every transaction is recorded electronically, reducing the scope for corruption, tax evasion, and informal economic activities.

Additionally, digital payment systems are cost-effective, lowering the costs associated with printing, handling, and transporting cash. For businesses, they streamline operations and improve record-keeping. From a consumer perspective, features such as cashbacks, discounts, and reward programs act as incentives, encouraging higher usage and enhancing purchasing power. Digital payments also improve security compared to carrying large amounts of cash, with multiple layers of authentication such as PINs and biometric verification. Furthermore, they support the growth of e-commerce and digital marketplaces, enabling seamless integration between payment systems and online shopping platforms. Overall, digital payment systems contribute to economic modernization, improved efficiency, and a more inclusive financial ecosystem.

## **Impact on Consumer Buying Behavior**

Digital payment systems have significantly reshaped consumer buying behavior in India by altering how individuals spend, decide, and interact with markets. One of the most notable impacts is the change in spending patterns, as consumers tend to spend more when using digital modes compared to cash, primarily due to reduced psychological friction and the abstract nature of money. This often leads to higher expenditure levels and a shift toward convenience-oriented purchases. Additionally, digital platforms encourage impulse buying behavior, as seamless payment processes, one-click transactions, and promotional incentives such as discounts and cashback offers reduce the time between desire and purchase, thereby increasing unplanned buying.

The frequency and value of transactions have also increased with the adoption of digital payments. Consumers are more likely to make frequent small-value transactions due to the ease of use, while larger transactions are facilitated by secure and quick payment gateways. Furthermore, digital payments have blurred the distinction between online and offline purchasing behavior. While they have boosted e-commerce by enabling hassle-free online transactions, they have also enhanced offline shopping experiences through QR codes and contactless payments, making digital transactions ubiquitous across retail environments.

Another critical dimension is consumer convenience and satisfaction, as digital payments save time, reduce effort, and provide a smoother purchasing experience. Features like transaction history, instant confirmation, and integration with apps enhance user control and confidence. However, factors such as trust, security concerns, and digital literacy continue to influence the



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extent of adoption. Digital payment systems have made consumer behavior more dynamic, frequent, and convenience-driven.

## Literature Review

The rapid development of digital payment systems has significantly transformed financial transactions and consumer purchasing behavior across the world, particularly in developing economies like India. Agarwal, Chomsisengphet, Liu, and Souleles (2020) examined the impact of electronic payments on consumer spending and found that digital payment methods tend to increase consumer expenditure because they reduce the psychological pain of paying with cash. Their study highlighted that consumers using electronic payment systems such as credit cards and digital wallets are more likely to make frequent purchases and spend higher amounts compared to cash users. Similarly, Shree (2021) conducted a survey-based study on digital payments and consumer experience in India and found that convenience, speed, and ease of use are the major factors influencing consumer adoption of digital payment systems. The study also concluded that digital payments improve customer satisfaction and encourage online shopping behavior. Gupta (2020) studied consumer perception toward digital payment systems in India and found that security, convenience, and promotional offers play an important role in influencing consumer attitudes toward digital payments. Bala (2020) conducted a review study on digital payment adoption and concluded that digital payment systems have grown rapidly due to smartphone penetration, internet availability, and government initiatives such as Digital India and demonetization, which accelerated the adoption of cashless transactions in India.

Jacob (2019) studied the adoption of fintech services, particularly the Unified Payments Interface (UPI), and found that UPI has become one of the most popular digital payment methods in India due to its ease of use, instant money transfer, and zero transaction cost. The study concluded that consumers prefer UPI over traditional banking methods because it is faster and more convenient. The National Payments Corporation of India (NPCI, 2020) provided an overview of UPI and highlighted its role in promoting digital transactions and financial inclusion in India. Rai and Bansal (2020) compared mobile wallets and UPI payment systems and found that consumers are gradually shifting from mobile wallets to UPI due to its interoperability and ease of bank-to-bank transfers. The study also revealed that digital payment systems influence consumer buying behavior by making transactions faster and more convenient, which increases purchase frequency. EY India (2020) reported that digital payments in India have grown significantly due to government initiatives, increased smartphone usage, and expansion of e-commerce platforms. The report also highlighted that digital payment systems are changing consumer purchasing behavior by encouraging online shopping and digital transactions. Similarly, the World Bank (2020) reported that digital payments promote financial inclusion and improve access to financial services, especially in developing countries, and contribute to economic growth.



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Bhutani (2021) studied retailers and UPI adoption in India and identified several barriers and opportunities related to digital payment adoption, such as lack of digital literacy, security concerns, and internet connectivity issues. However, the study also found that retailers benefit from digital payments because they reduce cash handling costs and increase transaction transparency. Shankar and Datta (2018) studied factors affecting mobile wallet adoption in India and found that perceived usefulness, ease of use, trust, and security significantly influence consumer intention to use mobile wallets. Singh and Srivastava (2017) studied mobile banking adoption in India and found that perceived risk, trust, and convenience are the major factors affecting consumer adoption of digital banking services. Mallat (2016) explored consumer adoption of mobile payments in emerging markets and found that convenience, mobility, and time-saving are the major reasons for adopting mobile payment systems. The study also concluded that digital payment systems are more commonly used for small-value transactions and online purchases. Sharma and Agarwal (2018) studied digital payments and consumer behavior in India and found that digital payments influence consumer purchasing decisions, increase online shopping, and reduce dependency on cash transactions.

Kumar and Dahiya (2017) studied digital payment systems in India and identified several challenges such as security risks, lack of awareness, digital illiteracy, and infrastructure issues that affect the adoption of digital payment systems. The study concluded that despite these challenges, digital payment systems have significant potential to transform the Indian economy and consumer purchasing behavior. Chawla and Joshi (2019) studied consumer attitude and intention to adopt mobile wallets in India and found that consumer attitude, perceived usefulness, and promotional benefits significantly influence the adoption of mobile wallets. The study also found that cashback offers and discounts encourage consumers to use digital payment systems more frequently. The Reserve Bank of India (2019) in its payment and settlement systems vision document emphasized the importance of digital payment systems in promoting a cashless economy and improving financial transparency. The Government of India (2018) in its Digital India programme report highlighted that digital payment systems play an important role in economic development, financial inclusion, and reduction of black money by promoting transparent transactions.

Kaur, Dhir, Bodhi, Singh, and Almotairi (2020) studied why people use digital payments in India and found that convenience, rewards, ease of use, and social influence are major factors influencing digital payment adoption. The study also concluded that digital payment systems positively influence consumer buying behavior by increasing spending convenience and encouraging online purchases. Thakur and Srivastava (2019) studied adoption readiness for mobile payment services in India and found that consumer readiness depends on factors such as technology awareness, trust, perceived usefulness, and ease of use. The study also revealed that



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younger consumers are more likely to adopt digital payment systems compared to older consumers. Overall, most studies suggest that digital payment systems influence consumer buying behavior by increasing purchase frequency, encouraging online shopping, and promoting impulse buying behavior due to ease of payment and promotional offers.

From the review of literature, it is clear that digital payment systems have significantly changed consumer buying behavior in India. Most researchers found that convenience, ease of use, security, trust, promotional offers, and government initiatives are the major factors influencing digital payment adoption. Studies also show that digital payments increase consumer spending, online shopping behavior, and purchase frequency. However, some studies also identified challenges such as security concerns, digital illiteracy, internet connectivity issues, and lack of trust in digital payment systems, especially in rural areas. Therefore, the literature suggests that digital payment systems have both positive and negative impacts on consumer buying behavior, but overall they are contributing to the growth of the digital economy and cashless transactions in India. This literature review provides a theoretical foundation for the present study on the impact of digital payment systems on consumer buying behavior in India.

## **Research Problem**

The rapid expansion of digital payment systems in India has fundamentally transformed the financial ecosystem, yet its precise impact on consumer buying behavior remains insufficiently understood and fragmented across existing studies. While digital platforms such as mobile wallets, UPI, and card-based payments have gained widespread acceptance, there is a lack of comprehensive synthesis regarding how these technologies influence consumer decision-making processes, spending patterns, and purchasing frequency. Existing research often focuses on adoption factors such as ease of use, security, and technological readiness, but comparatively less attention has been given to behavioral outcomes, particularly in diverse socio-economic and demographic contexts within India.

Moreover, the shift from cash-based to digital transactions raises critical questions about whether digital payments encourage higher consumption, impulsive buying, and changes in budgeting discipline among consumers. There is also ambiguity regarding the differential impact of digital payments across urban and rural populations, income groups, and levels of digital literacy. Additionally, concerns related to cybersecurity, privacy, and trust continue to affect user confidence, potentially moderating their influence on buying behavior. Therefore, the core research problem lies in systematically examining and integrating existing knowledge to understand how digital payment systems shape consumer buying behavior in India. Addressing this gap is essential for policymakers, financial institutions, and businesses aiming to design effective strategies that promote responsible digital payment usage while enhancing consumer welfare and market efficiency.



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## Conclusion

Digital payment systems have emerged as a transformative force in India's economic and consumer landscape, significantly influencing buying behavior across diverse population segments. The widespread adoption of technologies such as UPI, mobile wallets, and card-based payments has enhanced transaction speed, convenience, and accessibility, leading to a shift from cash-based to cashless consumption patterns. This transition has not only increased the frequency and value of transactions but has also encouraged impulse buying due to reduced psychological barriers associated with digital spending. The review highlights that factors such as ease of use, perceived usefulness, trust, and promotional incentives play a crucial role in shaping consumer adoption and behavior. At the same time, challenges such as cybersecurity risks, privacy concerns, and the digital divide continue to act as constraints, particularly in rural and less technologically advanced areas. Despite these limitations, digital payments have contributed to financial inclusion, transparency, and the expansion of e-commerce and digital marketplaces. The findings suggest that digital payment systems are not merely facilitators of transactions but active determinants of consumer decision-making processes. As India continues to advance toward a digital economy, it becomes essential for policymakers, financial institutions, and businesses to address existing challenges while leveraging digital payment innovations to promote sustainable, secure, and consumer-friendly financial practices.

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