CHAPTER 42

Impact of Digital Payments on Spending Habits across Various Age Groups

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ABSTRACT

This study aims to analyse the spending habits of diverse age groups due to advancements in digital payment tools. In this study authors will explore various digital payment methods, including Unified Payments Interface, Mobile wallets, credit/debit cards, and net banking, and their percentage of usage on monthly transactions. The motivational factors of different age groups, such as Gen Z and millennials, which are affecting their spending and saving patterns, have been observed through a survey conducted on 200 respondents. The results show that all consumers use digital payments very often; however, some struggle with budgeting. Data about impulse purchases on various commodities, as well as the level of awareness and confidence, have been collected and further interpreted in the study. The research highlights how digital payment systems are influencing the spending habits of consumers. Nevertheless, the authors have attempted to understand the self-awareness that people carry while using digital payment tools.

Keywords: Digital payment tools; Spending habits; Gen Z and Millennials; Unified Payments Interface (UPI); Mobile wallets; Impulse purchases; Consumer awareness.

1.0 Introduction

In recent years, the world has witnessed a global shift towards digitalization that has majorly transformed the nature of monetary transactions. From simply scanning a QR code at a local store, transferring money via a mobile app, or tapping a card to pay, exploring how digital payments influence spending behaviour across age groups. As this shift continues, it's becoming increasingly important to understand how such changes are influencing the way people spend their money.

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A crucial aspect that deserves close attention is how these changes are executed among different age groups. People from different generations more often have distinct comfort levels with technology, varying spending priorities, and unique financial habits. While younger individuals have a higher tendency to be quicker to adopt new payment technologies and potentially spend more impulsively, the older generations may still rely solely on traditional methods and be highly cautious with their spending. These generational differences raise important questions about the broader impact of digital payments on various age groups. This in result, this has created a valuable opportunity for researchers to investigate.

Another important aspect this study will explore is impulsive spending, which has become more common in today's evolving digital world. With just a quick tap of a phone or a scan of a QR code, people can make purchases in seconds—often without fully registering the act of spending. This level of convenience can make it easier to buy things on a whim, especially when there's no physical exchange of cash involved. The research will look at whether certain age groups are more likely to engage in impulsive spending due to digital payments, and what specific factors—such as ease of access, lifestyle habits, or technology usage—might influence this behaviour.

1.1 Statement of problem

Digital payments have quickly changed the way consumers of all ages pay and save. The issue is whether digital payments really change the way millennials and others spend money, make impulse purchases, and save, compared to their parents and grandparents. "While Gen Z and Millennials readily adopt digital payment technologies, older generations tend to approach them with greater caution and hesitation." Younger generations such as Gen Z and Millennials quickly adapt to digital payment systems, whereas older consumers remain hesitant and wary of their use."

2.0 Objectives

- To understand how using digital payments like UPI is changing the way people spend money across different age groups.
- To evaluate whether ease of digital payments contributes to impulsive spending, and if this varies by age.
- To study the role of financial literacy in controlling the impact of spending behaviour within various age groups.
- To recognize any generational differences in budgeting and saving behaviours before and after the shift from cash to digital transactions.

3.0 Scope of the Study

- Focuses on how digital payment usage influences spending patterns across different age groups.
- Examines how preferences and adoption of digital payments vary across different age groups.
- Explores ease of digital payments and impulsive buying behaviour.
- Examines how financial literacy affects spending control and saving habits in a digital payment context.

4.0 Literature Review

From cash to cashless: UPI's impact on spending behaviour among indian users (2024): This study highlights how UPI has reshaped financial habits in India. Many users admitted that digital transactions made it easier to spend without the usual hesitation linked to cash payments. The researchers also suggested new app features that could encourage more responsible financial behaviour and reduce impulsive overspending.

Do digital natives use mobile payment differently than digital immigrants? (2024): The research compared Generation Z and Generation X to see how age influences digital payment use. It found that younger consumers, being more comfortable with technology, rely heavily on mobile wallets and tend to make frequent, sometimes impulsive purchases. Older consumers, however, showed more caution and control in their spending.

The influence of payment method: Do consumers pay more with mobile payment? (2022–2023): This study tested spending patterns in supermarkets and conducted controlled experiments. It found that people tend to spend more when paying with mobile apps than with cash, especially for flexible-priced products. Interestingly, the effect was not just about reducing the "pain of paying," but also deeper psychological triggers.

The influence of e-wallets on the consumptive behaviour of generation Z: Systematic review (2025): By reviewing multiple studies, this paper examined how e-wallets affect Gen Z spending habits. It concluded that convenience, instant payments, and constant digital offers make young consumers more likely to purchase frequently and impulsively. The authors emphasize the need for financial awareness to balance technology with responsible money management. This literature review underscores the high-level information regarding digital payments.
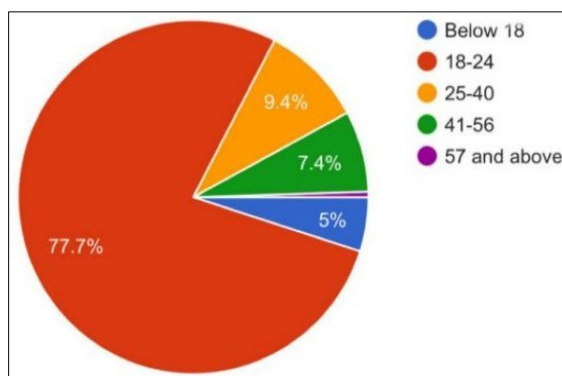
5.0 Research Methodology

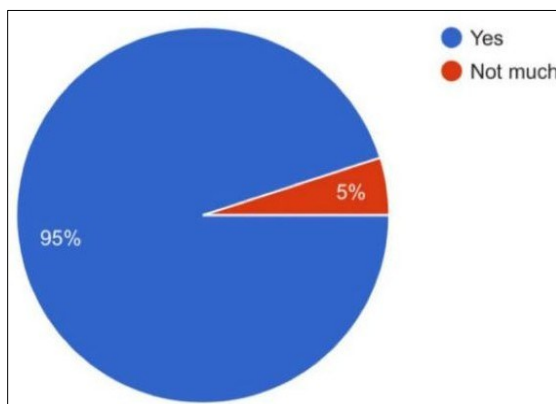|	**Particular**	**Information**
1	Scope of research	Exploring how digital payments influence spending behaviour across age groups
2	Research type	Qualitative and exploratory
3	Data collection	Primary source: Questionnaire Secondary source: Published articles, reference books, interviews, research papers.
4	Population	Age groups below 18 to above 57
5	Sample size	202
6	Sampling technique	Convenient sampling technique
7	Data analysis	Pie chart and Bar Graph.

6.0 Data Analysis - Tool: Google Form

We conducted a Google Form survey for our data analysis. Circulated among school-going, college students, and adults between the ages of 18 and slightly below to 57 and above. Every individual responded and helped us to conduct this Research paper successfully. We collected 202 responses from the students.
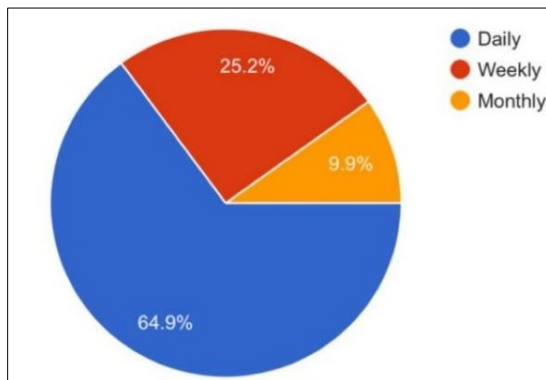
6.1 Age

- *Analysis:* 77% of the respondents are Gen Z, 9.4% are under age 25-40, while 7.4% are all 41-56. Meanwhile, only 0.5% are 57 and above, showcasing how rarely the adults use digital payments.
- *Interpretation:* This indicates how Gen Z has more exposure to digital payments than traditional banks, probably because they were raised in a completely digital world, and traditional methods might appear outdated to them.

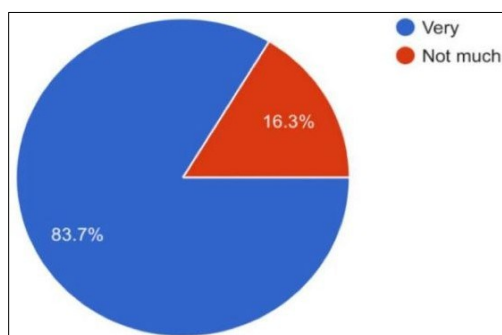## 6.2 Level of awareness of digital payments

- *Analysis:* 95% of 202 people are aware of digital payment mediums
- *Interpretation:* With 95% of respondents aware of digital payment options, it clearly reflects a significant and ongoing shift toward digital literacy in modern financial transactions.
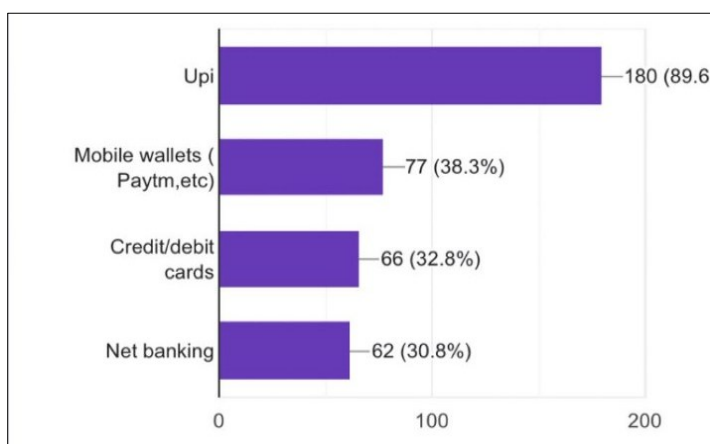
6.3 Frequency of usage

- *Analysis:* The summary shows 64.9% use digital payments daily, 25.2% use it weekly, while only 9.9% use it monthly
- *Interpretation:* The survey findings reveal that digital payment methods have become a routine part of daily life for the majority of users, while very few reported monthly, highlighting a clear move toward cashless transactions.

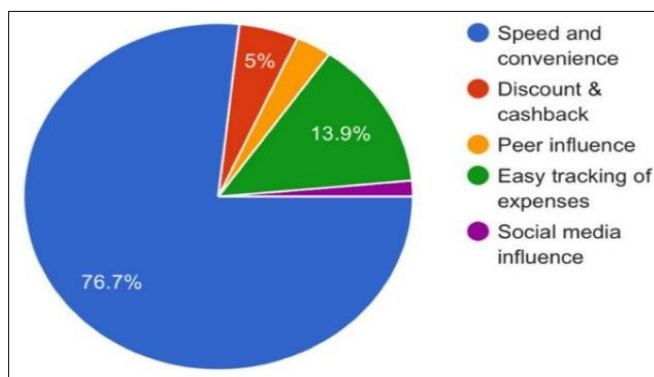### 6.4 Confidence levels while using digital payments

- *Analysis:* 83.7% consider themselves confident, the rest do not.
- *Interpretation:* Survey shows that while many trust digital payments, a few hesitate, possibly because of fear of fraud or lack of technical knowledge.

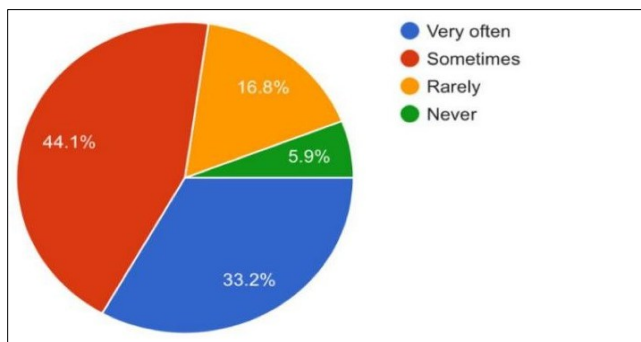### 6.5 Most frequently used digital payment modes

- *Analysis:* Respondents had the option to select multiple methods; 180 votes were for UPI, being the highest, followed by mobile wallets, having 77 votes, and later came the cards and net banking with 66 and 62 votes.
- *Interpretation:* Findings indicate that UPI dominates as the preferred payment method, while mobile wallets, credit cards, and net banking trail behind in usage. Mostly because of the fact that UPI is most used because it's faster, easier, and widely accepted than other mediums.

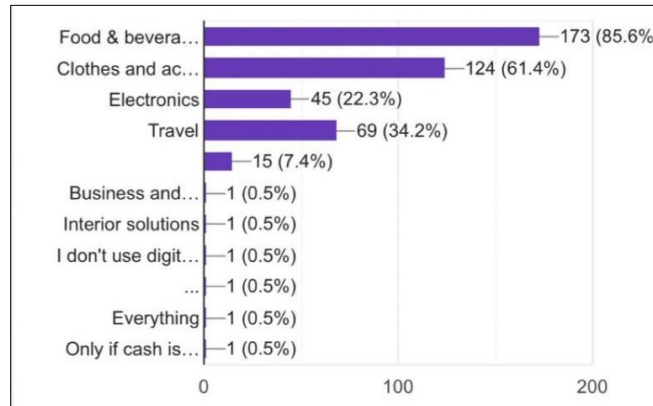**6.6 Key motivating factors to use digital payments**

- *Analysis:* 76% of 202 respondents selected speed and convenience, 13.9% reported the fact that they are easy to track, while others had other opinions.
- *Interpretation:* This result indicates how the maximum people surveyed are motivated to use digital payments because of the sheer speed and convenience offered, while the rest are motivated because of factors like discount and peer influence.
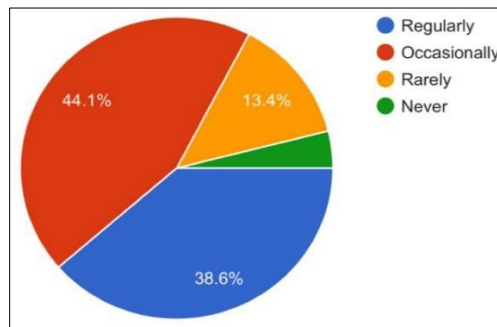
6.7 Extent of impulse spendings

- *Analysis:* 33.2% out of 202 respondents admitted they make impulse spending very often, 44.1% said they do so sometimes, while the rest voted under the categories of rarely and never.
- *Interpretation:* The survey suggests that many people tend to make impulse purchases due to the ease of digital payments, while a good portion do so only occasionally. A smaller group said they rarely or never give in to such spending, showing that convenience often drives unplanned buying for most users.

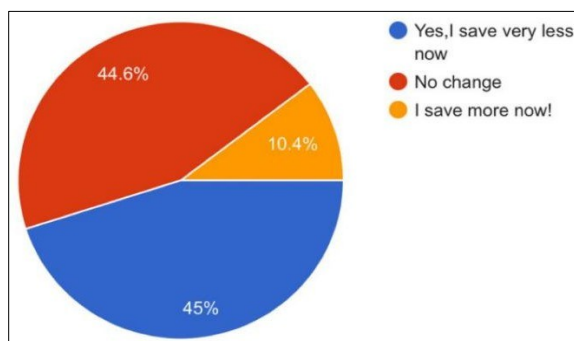**6.8 Types of purchases made via digital payments**

- *Analysis:* Respondents had the option to select multiple options here; most votes fell under the category of foods and beverages (173), next in clothes and accessories with 124 votes, followed by travel and electronics with 69 and 45 votes each.
- *Interpretation:* The survey revealed that the majority of respondents prioritize spending on food, followed by clothing, travel, and electronics. While some indicated balanced spending across all categories, one participant mentioned using digital payments only when cash is unavailable.

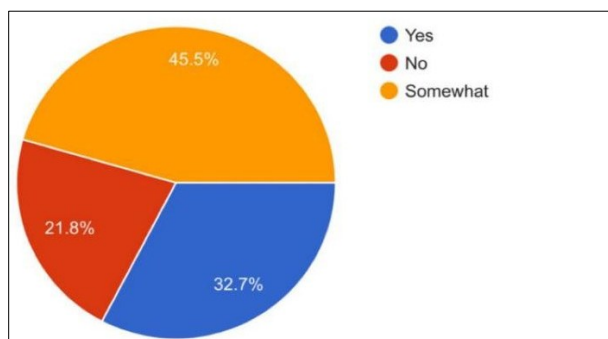**6.9 Tracking of expenses**

- *Analysis:* 38.6% reported they track expenses daily; however, 44.1% reported they do so only occasionally. Meanwhile, the rest voted for rarely and never.
- *Interpretation:* A significant portion of respondents mentioned they track their expenses through digital payments either daily or occasionally, while a smaller group admitted to doing so rarely or not at all.

6.10 Saving patterns

- *Analysis:* 45% out of 202 respondents reported that they save very less after they started using digital payments, 44.6% reported that they see no change in savings whatsoever. Against all odds, 10.4% believe they save more now

- *Interpretation:* Responses indicated that nearly half of the participants feel they are saving less money, while a small portion reported saving about the same, and others mentioned they are able to save more. This highlights the need for better budgeting and awareness.

6.11 Older generations adaptability to digitalised payments

- *Analysis:* 32.7% out of 202 respondents believe that older generations struggle adapting to digital payments, 45.5% believe the same, somewhat. Meanwhile, 21.8% don't believe in this idea.

- *Interpretation:* Most participants felt older generations somewhat struggle with digital payments, while fewer believed they either do or don't. Probably due to Lack of familiarity and tech exposure.

7.0 Key Findings

- Digital payments are most popular among young adults (18–25), who frequently use UPI and mobile wallets for everyday spending. Adults aged 26–40 also show high usage but still rely on cash at times. In contrast, those over 50 are less likely to use digital payment options, mainly due to concerns about security, limited tech skills, and a strong preference for cash.
- Digital payments affect age groups differently. Young users often spend impulsively due to the ease of online transactions. Middle-aged adults use digital payments mainly for essentials like bills and groceries. Older adults are cautious, limiting usage to necessary expenses such as utilities and healthcare.
- The frequency of digital transactions is highest among younger participants, who use these platforms almost daily for lifestyle-driven purchases like online shopping and food delivery. By comparison, older adults use digital payments occasionally, primarily when alternatives are limited or when digital transactions are unavoidable.
- Digital payments have led to increased spending across age groups by making transactions quicker and easier. This effect is strongest among 18– 40-year-olds, where ease of use has promoted more frequent, convenience- driven purchases.

8.0 Suggestions

- Raise awareness on balancing convenience with mindful spending.
- Promote blending old-fashioned budgeting methods (cash-based accounting, envelopes, notebooks) with online applications for hybrid money management.
- Examine the effect of new technologies on spending habits across generations.
- For Consumers (Age-Group Specific)
  - Gen Z & Millennials: Promote usage of budgeting apps and mobile payment notifications to manage impulse purchases.
  - Gen X: Engage to raise awareness concerning cashback/reward pitfalls and BNPL (Buy Now, Pay Later) dangers.
  - Baby Boomers & Older Adults: Offer easy-to-use tutorials and localized linguistic interfaces to boost adoption confidence.

9.0 Hypothesis Testing

Hypothesis 1: Age vs Frequency of Digital Payment Usage
- *H₀ (Null):* There is no significant relationship between age group and frequency of digital payment usage.

- *H₁ (Alternative):* There is a significant relationship between age group and frequency of digital payment usage.

Hypothesis 2: Digital Payments vs Impulse Spending

- *H₀ (Null):* Digital payment usage does not significantly influence impulsive spending.
- *H₁ (Alternative):* Digital payment usage significantly influences impulsive spending

Hypothesis 3: Digital Payments vs Savings Pattern

- *H₀ (Null):* There is no significant association between digital payment usage and changes in savings.
- *H₁ (Alternative):* There is a significant association between digital payment usage and changes in savings.

Data Interpretation (From Survey of 202 Respondents)

Variable	Key Findings	Interpretation
Age Distribution	77% Gen Z, 9.4% Millennials (25–40), 7.4% aged 41–56, 0.5% above 57	Younger groups dominate, more exposure to digital tools
Awareness	95% aware of digital payments	Reflects growing financial digital literacy
Usage Frequency	64.9% daily, 25.2% weekly, 9.9% monthly	Digital payments are part of daily lifestyle
Impulse Spending	33.2% often, 44.1% sometimes, rest rarely/never	Majority indulge in unplanned spending
Savings Patterns	45% save less, 44.6% no change, 10.4% save more	Suggests reduced savings in frequent users
Mode Preference	UPI highest (180 votes), wallets (77), cards (66), net banking (62)	

Why Chi-Square Test Was Used

The Chi-Square Test of Independence is appropriate here because:

- *Type of Data:* The survey data (age groups, frequency of usage, impulse spending, saving patterns) is categorical, not numerical.
- *Research Goal:* We want to check if there is a statistically significant association between two categorical variables (e.g., age group × frequency of usage, usage × impulse spending, usage × savings pattern).
- *Non-parametric Test:* Chi-square does not assume normal distribution, making it suitable for questionnaire-based, non-continuous data.

Chi-Square Hypothesis Testing

Hypothesis 1: Age vs Frequency of Digital Payment Usage

- H₀: Age group and frequency of digital payment usage are independent.

- H_1: Age group and frequency of digital payment usage are significantly associated.

Observed Data (from survey) (approximate based on 202 responses and given % distribution)

Age Group	Daily Use	Weekly/Monthly Use	Total
Gen Z (77%)	120	36	156
Millennials	9	10	19
Gen X (41–56)	2	13	15
Seniors (57+)	0	2	2
Total	131	61	192

(small rounding applied for simplicity)

Expected Values (E) Formula:

$$E = \frac{(\text{Row Total} \times \text{Column Total})}{\text{Grand Total}}$$

(Example: Gen Z–Daily: $\frac{156 \times 131}{192} \approx 106.4$)

Chi-Square Result

$\chi^2 \approx 22.8$

d f = (4–1)(2–1) = 3

Critical value ($\alpha=0.05$) = 7.81

Reject H_0 → There is a significant association between age group and payment usage frequency.

Hypothesis 2: Digital Payments vs Impulse Spending

- H_0: Usage frequency and impulsive spending are independent.
- H_1: Usage frequency and impulsive spending are associated

Observed Data

Impulse Spending	High-Frequency Users	Low-Frequency Users	Total
Often	50	17	67
Sometimes	80	9	89
Rare/Never	30	16	46
Total	160	42	202

Chi-Square Result

$\chi^2 \approx 12.44$

df = 2

Critical value ($\alpha=0.05$) = 5.99

Reject H₀ → Frequent users show higher impulsive spending. Hypothesis 3: Digital Payments vs Savings Pattern

- H₀: Digital payment usage does not affect savings.
- H₁: Digital payment usage significantly affects savings

Observed Data

Savings Pattern	Daily Users	Weekly/Monthly Users	Total
Save Less	60	31	91
No Change	72	18	90
Save More	28	3	31
Total	160	52	202

Expected Values (E) Example

For "Save Less–Daily":

$E = \frac{91 \times 160}{202} \approx 72.0$

Chi-Square Result

$\chi^2 \approx 9.67$

df = (3–1)(2–1) = 2

Critical value (α=0.05) = 5.99

Reject H₀ → frequent users are more likely to save less compared to others.

Final Interpretations

- *Age vs Usage:* Younger groups (Gen Z, Millennials) are significantly more frequent users of digital payments compared to older groups.
- *Usage vs Impulse Spending:* High-frequency users are much more likely to make impulsive purchases.
- *Usage vs Savings:* Frequent digital payment users tend to save less, showing a direct impact on financial discipline.

10.0 Conclusion

The findings of this research suggest that digital payments have had a profound impact on consumer spending across age groups, with the young being the most committed to using this method and using it frequently. Speed and convenience prompt Gen Z and Millennials to increasingly opt for UPI and mobile wallets for regular transactions. Digital is a lifeline for middle-aged users, who go digital primarily for essentials, while older users are more wary, reflecting a generational gulf in adoption and trust.

Digital transactions make it easy for people to access and use their money, but they also disrupt financial discipline. Therefore, the research highlights that financial literacy, budgeting knowledge, and prudent spending behaviour are necessary to optimally manage convenience and future financial security in an evolving digital environment.

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