Digital Payments and Consumer Spending Behaviour in India

Prince Kumar Sah
Department of Economics, Indira Gandhi National Open University (IGNOU), India

Abstract

Digital payments have transformed the Indian economy by making financial transactions faster, safer, and more convenient. The introduction of the Unified Payments Interface (UPI), mobile wallets, internet banking, debit and credit cards, and QR-code-based payments has changed the way consumers purchase goods and services. Government initiatives such as Digital India, demonetization in 2016, and the expansion of affordable internet services have accelerated the adoption of digital payment systems across the country. As a result, consumer spending behaviour has undergone significant changes. People now prefer online shopping, make frequent small-value transactions, and rely increasingly on cashless modes of payment.

This paper examines the impact of digital payments on consumer spending behaviour in India through a qualitative review of existing literature, government reports, and secondary data. The study analyses the factors responsible for the rapid growth of digital payments, their influence on consumer purchasing decisions, and the opportunities and challenges associated with the digital payment ecosystem. The paper also identifies research gaps in existing studies and provides recommendations for strengthening digital financial inclusion. The findings indicate that while digital payments improve convenience, transparency, and financial inclusion, they may also encourage impulsive spending and expose users to cybersecurity risks. Therefore, continuous improvements in digital literacy, consumer awareness, and cyber security are necessary for ensuring sustainable growth in India's digital economy.

Keywords

Consumer spending behaviour, Digital economy, Digital payments, Financial inclusion.