



The Impact of Digital Payment Apps (UPI, Paytm, Apple Pay) on Spending Behavior: A Comprehensive Analysis


Singh C^{1*}

DOI:10.31033/IJEMR/16.1.2026.1865

^{1*} Chitrnanjan Singh, HOD and Assistant Professor, Department of Commerce, Government Degree College, Vrindavan, Mathura, Uttar Pradesh, India.

The global financial arena has experienced a dramatic transformation with the plenty of digital payment apps, including the Unified Payments Interface (UPI) in India, mobile wallets like Paytm, and contactless payment solutions like Apple Pay. This paper investigates the profound impact of these technologies on consumer spending behavior, examining the shift from physical to cashless transactions. Based on literature reviews and industry reports the research highlights that while digital payments enhance convenience and security, they significantly alter spending habits by reducing the "pain of paying," accelerating impulse purchases, increasing consumption of non-essential goods, and reducing the tangible awareness of expenses. The study finds that digital payment adopters tend to display higher spending frequencies, particularly among youth and urban demographics.

Keywords: Digital Payment, UPI, Financial Transaction

Corresponding Author	How to Cite this Article	To Browse
Chitrnanjan Singh, HOD and Assistant Professor, Department of Commerce, Government Degree College, Vrindavan, Mathura, Uttar Pradesh, India. Email: chtrnjnsngh@yahoo.com	Singh C, The Impact of Digital Payment Apps (UPI, Paytm, Apple Pay) on Spending Behavior: A Comprehensive Analysis. Int J Engg Mgmt Res. 2026;16(1):130-133. Available From https://ijemr.vandanapublications.com/index.php/j/article/view/1865	

Manuscript Received 2026-01-04	Review Round 1 2026-01-19	Review Round 2	Review Round 3	Accepted 2026-02-06
Conflict of Interest None	Funding Nil	Ethical Approval Yes	Plagiarism X-checker 4.48	Note
 © 2026 by Singh C and Published by Vandana Publications. This is an Open Access article licensed under a Creative Commons Attribution 4.0 International License https://creativecommons.org/licenses/by/4.0/ unported [CC BY 4.0]. 				

1. Introduction

Digital India initiative has accelerated the notion of 'cashless economy'. Over last decade concept has got the momentum. During COVID-19 pandemic digital India movement got a boost. Unified Payment Interface (UPI) platforms as Paytm (paytm got heavy attention immediately after demonetization), Google pay, Phone pay, Bharat pay etc. The development of UPI has redefined financial transaction. These platforms have taken place of old cash transaction economy. These platforms made payments quick and convenient. Because of convenience these platforms gradually became part and parcel of the modern payment system. This paper analyzes this 'Smooth and quick' payment phenomenon, exploring the psychological, economic, and behavioral consequences of digital payments on consumer spending habits.

2. Theoretical Framework: The Psychology of Money

Why to shift towards digital payments can be best explained by behavioral economics, specifically the "pain of paying" theory introduced by Prelec and Loewenstein (1998).¹

2.1 The "Pain of Paying" vs. Frictionless Payments

Cash transactions involves exchange of tangible cash, due to this tangible cash departing from the payer, payer feels something is lost or gone forever and this cause a psychological pain to the payer. In economics it is called "Pain of Paying". In contrast, digital payment apps create a "frictionless" environment. In digital payments apps physical cash is not involved so it seems to payer that he is losing nothing as psychological impact is less and hence pain of paying is less.

2.2 Mental Accounting and "Spendception"

Many researches have been conducted and concluded that money earned differently is treated differently in the minds of earner. For example salary money cannot be spent freely but lottery money or bonus can be spent easily. Why this as money is money and should be treated the same way. Answer lies in mental accounting. Similarly physical cash and digital balance is also treated differently.

Lack of immediate visibility and physicality of digital money reduces the psychological barrier to spending, leading to increased impulse purchases this phenomenon is sometimes called spendception. Spendception is union of two words spending + deception.

3. Impact of Digital Payments on Spending Behavior Patterns

3.1 Increased Frequency and Volume of Spending

Digital payments made spending easy and convenient. This easiness and convenience has made digital payments more frequent. Various studies suggests that because of digital payments spender are spending more money when compared their digital transactions with cash transactions.²

Small size transactions: Digital payments has boosted small value transactions such as paying for a cup of coffee/tea or paying fare to auto rickshaw/bus.

Category change: Swiggy, Zomato (Food category) Amazon, Flipkart (E commerce category) has seen significant growth because of digital payments. Customer can pay instantaneously and conveniently.

3.2 Unplanned and Impulsive Buying:

The convenience of use like QR code scanner, one click payment etc give encouragement to payer to spend spontaneously and impulsive buying happens.

Research shows that 43% of users make impulsive purchases sometimes, and 31% do so very often, resulting in over 70% of users experiencing some level of unplanned spending.³

Automated subscription: Automatic payment for the subscription has risen due to automated procedure. Sometime the payer forgets to unsubscribe and renewal payment for subscription gets deducted automatically.

3.3 The "Cashless" Effect and Budget Mismanagement

Many individuals struggle with financial tracking, finding it harder to monitor their expenses due to the intangible nature of digital transactions.

- **Reduced Self-Control:** The lack of a tangible wallet to check can lead to individuals losing track of their expenses, resulting in overspending.

4. Analysis of Key Digital Platforms

4.1 Unified Payments Interface (UPI) in India

As of 2024, UPI accounts for a staggering 84% of all digital transactions in India.⁴ Its ability to link directly to bank accounts and eliminate processing fees has made it the primary choice for daily spending.

- **Impact:** A study on UPI users showed that 74.2% of participants reported increased spending, and 59.8% admitted to exceeding their budget.⁵

4.2 Paytm and Mobile Wallets

Paytm and other mobile wallets (PhonePe, Google Pay) utilize cashbacks, loyalty points, and promotional offers to motivate spending behavior.

- **Impact:** These incentives encourage consumers to make more frequent, often unnecessary, transactions to receive rewards.

4.3 Apple Pay

Apple Pay (and similar NFC-based solutions) enhances speed through biometric authentication (Face ID/Touch ID).

- **Impact:** The near-instantaneous, "tap-and-go" nature of Apple Pay minimizes the "pain of paying" to almost zero, which is particularly effective in driving impulse purchases at physical retail locations.

5. Demographic and Socio-Economic Variations

The impact of digital payment apps is not uniform across all groups.

- **Youth (18-34 years):** This demographic is the highest user base, exhibiting the highest frequency of digital payments and the highest tendency towards impulsive, non-essential spending.⁶
- **Urban vs. Rural:** While urban areas show high

- adoption and increased spending, rural areas still rely partly on cash, although adoption is increasing. Report says that 64% of rural Indians still rely on cash for daily spending, while 73% of urban Indians prefer digital.⁷
- **Gender:** Some studies indicate that female consumers may be more susceptible to impulse buying caused by the "Spendception" phenomenon.⁸

6 Why Digital Payments Increasing Consistently?

6.1 Overall Spending Increased

Studies indicate that users of digital payment methods (UPI, mobile wallets, cards) tend to spend more frequently and at higher volumes than cash-dependent consumers.

- **Data/Impact:** Digital payment users spend 40–48% more than cash users.⁹
- **Impulse Purchases:** Impulse purchases increased by 40% among digital wallet users.⁹

6.2 Primary Drivers of Digital Payment Usage

Following are the primary drivers of digital payment usage¹⁰

- **Convenience/Speed:** 54%
- **Avoiding Cash/Change:** 35%
- **Cashbacks/Offers:** 9%
- **Other:** 2%

7. Challenges and Risks

7.1 Security and Fraud

With the surge in UPI transactions, related fraud has doubled in the last three years, including phishing scams and fake apps.

7.2 Lack of Financial Literacy

While digital payments promote technology literacy, they do not necessarily promote financial literacy. Many users lack the knowledge to manage their spending in a digital environment, leading to increased debt.

8. Conclusion and Recommendations

Digital payment apps have revolutionized the financial landscape, offering unparalleled convenience, but they have also induced significant behavioral shifts that tend to increase consumer spending. The "frictionless" nature of apps like UPI, Paytm, and Apple Pay reduces the pain of paying, encouraging impulsivity and eroding savings discipline.

Recommendations

- 1. In-App Financial Tracking:** Payment apps should integrate robust, real-time spending categorization and, in-app visualization (e.g., pie charts) to provide better awareness.
- 2. Spending Limits:** Implementing mandatory daily or monthly limits for different categories (e.g., entertainment, food) can help users manage their finances.
- 3. Financial Education:** Policymakers and banks must focus on enhancing financial literacy to teach responsible digital, spending, particularly among the youth.
- 4. Security Measures:** Strengthening AI-driven fraud detection is essential to maintain trust in, digital ecosystems.

References

- [1] Prelec, & Loewenstein. (1998). The red and the black: Mental accounting of savings and debt. *Marketing Science*, 17(01).
- [2] Riddhi Surana, & Shamitaa Arora. Impact of Digital Payments on Youth Spending Habits. *International Journal of Creative Research Thoughts (IJCRT)*, 14(2).
- [3] 2024 Annual Survey conducted by Slickdeals.
- [4] Annual Report 2024-25, Reserve Bank of India.
- [5] Dhruv Kumar. (2024). UPI's impact on spending behavior among Indian' led. *Indraprastha Institute of Information Technology (IIIT) Delhi*.
- [6] Naeem Faraz, & Amna Anjum. (2025). Spendception: The psychological impact of digital payments on consumer purchase behavior and impulse buying. *Behav. Sci.*,15(3), 387. <https://doi.org/10.3390/bs15030387>

[7] A 2025 Reserve Bank of India (RBI) Consumer Survey.

[8] Worldline India Digital Payments Report 2H 2024 (Published March 2025).

[9] Granthaalayah Publication (2023).

[10] Alok Agrawal, & Dr. Sneha Singh. (2025). A study on the impact of digital payment apps on spending behaviour of youth in India. *Journal of Emerging Technologies and Innovative Research (JETIR)*, 12(11).

Disclaimer / Publisher's Note: The statements, opinions and data contained in all publications are solely those of the individual author(s) and contributor(s) and not of Journals and/or the editor(s). Journals and/or the editor(s) disclaim responsibility for any injury to people or property resulting from any ideas, methods, instructions or products referred to in the content.