

# RELATIONSHIP BETWEEN DIGITAL PAYMENT USAGE AND SPENDING BEHAVIOUR AMONG GEN Z -CONSUMERS PERSPECTIVE

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**Abstract:** This study examines the relationship between digital payment usage and spending behaviour among Generation Z consumers in Coimbatore. Focusing on payment methods such as UPI, mobile wallets, debit and credit cards, and Buy Now Pay Later (BNPL) services, the research investigates how digital transactions influence frequency of spending, impulsive buying tendencies, and financial awareness. Data were collected from 100 respondents using a structured questionnaire and analyzed through percentage analysis, Chi-square test, ANOVA, and regression analysis. The findings reveal that transaction speed, discount influence, and security concerns significantly shape spending behaviour, while income level is closely associated with changes in expenditure patterns post-adoption. The study concludes with actionable recommendations for digital payment service providers, financial institutions, and policymakers to promote responsible and informed usage among young consumers.

**Keywords:** Digital Payments, Gen Z, Spending Behaviour, UPI, Financial Awareness, Impulsive Buying, Cashless Economy.

## I. INTRODUCTION AND DESIGN OF THE STUDY

The Digital revolution has fundamentally transformed financial transactions, with digital payment systems including UPI, mobile wallets, credit and debit cards, internet banking, and NFC-based contactless solutions emerging as cornerstones of modern commerce. India has been at the forefront of this shift, driven by widespread smartphone usage, affordable internet, government initiatives such as Digital India, and the 2016 demonetization policy, which together accelerated the adoption of cashless payments. Within this landscape, Generation Z (born 1997–2012), the first truly digital-native generation, stands out as the most active adopter, with their innate comfort with technology deeply shaping their payment preferences and spending patterns. As this generation gains financial independence, understanding the relationship between their digital payment usage and spending behaviour becomes critical particularly given the "cashless effect," where the intangibility of digital transactions may encourage higher spending frequency, while platform features like cashback and budgeting tools simultaneously influence financial habits. This study investigates these dynamics through empirical research among urban Gen Z consumers in Coimbatore.

## II. STATEMENT OF THE PROBLEM

Digital payment adoption among Gen Z consumers has surged rapidly, yet limited empirical research exists on how this shift affects their spending behaviour. The convenience of cashless transactions, combined with cashback offers, rewards, and promotional strategies, may influence how frequently and how much young consumers spend effects that remain insufficiently understood. Ambiguity persists regarding whether digital payments lead to increased impulsive buying, reduced spending awareness, or more controlled financial habits. Key factors driving adoption such as convenience, peer influence, security perceptions, and financial literacy require deeper examination. This study therefore investigates the relationship between digital payment usage and spending behaviour among urban Gen Z consumers in Coimbatore.

## OBJECTIVES OF THE STUDY

- To study the usage pattern of digital payment methods among Gen Z consumers.
- To analyse the spending behaviour of Gen Z consumers.

- To examine the relationship between digital payment usage and spending behaviour.

### **III. SCOPE OF THE STUDY**

This study explores the relationship between digital payment usage and spending behaviour among Generation Z consumers by examining their use of UPI apps, mobile wallets, cards, internet banking, and BNPL services. It analyses spending patterns in terms of purchase frequency, transaction value, spending categories, and impulsive versus planned buying, while assessing how different payment methods relate to these behaviours. The research also considers psychological factors such as the cashless effect, spending awareness, and budget control, as well as the impact of platform features like notifications, rewards, and cashback. In addition, it evaluates financial literacy, trust, security perceptions, and demographic influences on both digital payment adoption and spending habits. Conducted among urban Gen Z consumers aged 18–27, the study aims to provide insights into their financial behaviours within India's evolving digital payment ecosystem.

### **IV. RESEARCH METHODOLOGY**

#### **AREA OF THE STUDY**

The study is conducted in an coimbatore area with well-developed digital payment infrastructure, focusing on Gen Z consumers who actively utilize digital payment methods.

#### **SOURCES OF DATA**

Both Primary and Secondary data are used for the analysis.

#### **PRIMARY DATA**

Primary data is also known as fresh data which is done by preparing questionnaire and by collecting the response from the customers.

#### **SECONDARY DATA**

Secondary data is collected from journals, research papers, industry and government reports, RBI and NPCI data, payment platform websites, newspapers, magazines, and relevant books on digital payments and Gen Z behavior.

#### **SAMPLE SIZE**

The sample size for the study is 100 respondents, which is considered adequate for exploratory and descriptive research in consumer behavior studies.

#### **DATA ANALYSIS**

The acquired data is then edited aggregated and exposed to suited to suitable statistical test and the data is provided in the form of percentage and exhibits

#### **TOOLS USED FOR ANALYSIS**

- Percentage Analysis
- Chi-Square Test
- ANOVA

#### **LIMITATIONS OF THE STUDY**

- The study focuses on an urban area, limiting the generalizability of results to rural or less digitally developed regions.
- The study period restricts the ability to capture seasonal or long-term behavioural trends.
- Reliance on self-reported data may introduce recall or social desirability bias.
- Rapid changes in digital payment technology may require future updates to the findings.

### **V. REVIEW OF LITERATURE**

**Shah et al. (2024)** analysed the relationship between digital payments, digital financial literacy, and spending behaviour among 503 users in Pakistan using Structural Equation Modelling. The study found that digital payment usage significantly affects overall spending patterns and that financial literacy plays a crucial moderating role. The findings indicate that increased reliance on digital transactions can alter consumption behaviour. These results support the present

study, which observes that digital payment factors such as speed, discounts, and security concerns significantly shape spending behaviour among Generation Z consumers.

**Bhoopathy and Kanagaraj (2023)** examined the influence of digital payments on consumer spending habits. The study found that convenience, speed, and ease of digital transactions promote more frequent purchases and impulsive buying behaviour. While real-time expense tracking supports financial discipline, the high convenience of digital payment platforms increases the likelihood of overspending. The findings align with the present study, which identifies speed of transaction and discount influence as significant factors affecting spending behaviour among Gen Z consumers

**VI. AN OVERVIEW OF DIGITAL PAYMENT USAGE AMONG GEN Z CONSUMERS**

Digital technologies have significantly transformed financial transactions in India, with UPI, mobile wallets, QR-code payments, and contactless cards accelerating the shift toward a cashless economy. Generation Z (1997–2012), raised in a smartphone-driven environment, is the most active user of these methods, making the relationship between digital payments and spending behaviour an important area of study, as convenience may encourage impulsive purchases and alter financial habits. India’s ecosystem evolved from basic card and internet banking before 2010 to the UPI revolution (2016–2020) and advanced features like UPI Lite, UPI Autopay, and BNPL services by 2024–2025. Popular platforms among Gen Z include Google Pay, PhonePe, Paytm, and CRED, along with wallets, debit/credit cards, QR payments, and BNPL services such as Simpl, LazyPay, and ZestMoney, mainly used for food delivery, online shopping, OTT subscriptions, ride-hailing, and online education, showing deep integration into daily life.

**VII. DATA ANALYSIS AND INTERPRETATION**

Table No. 1 Describes the Demographic Profile of the Respondents

Particulars		No of the Respondents	Percentages
<b>Age</b>	21–30 years	24	24
	<b>31–40 years</b>	<b>36</b>	<b>36</b>
	41–50 years	18	18
	Above 50 years	22	22
	<b>Total</b>	<b>100</b>	<b>100</b>
<b>Gender</b>	<b>Male</b>	<b>62</b>	<b>62</b>
	Female	38	38
	<b>Total</b>	<b>100</b>	<b>100</b>
<b>Education</b>	High School	30	30
	Diploma	20	20
	<b>Undergraduate</b>	<b>32</b>	<b>32</b>
	Postgraduate	18	18
	<b>Total</b>	<b>100</b>	<b>100</b>
<b>Occupation</b>	Student	18	18
	<b>Private Sector</b>	<b>20</b>	<b>20</b>
	<b>Public Sector</b>	<b>20</b>	<b>20</b>
	Entrepreneur/Self-employed	18	18
	Unemployed	24	24

	<b>Total</b>	<b>100</b>	<b>100</b>
<b>Monthly Income</b>	Below ₹10,000	16	16
	₹11,000 – ₹20,000	22	22
	<b>₹21,001 – ₹30,000</b>	<b>32</b>	<b>32</b>
	₹31,001 – ₹50,000	12	12
	Above ₹50,000	18	18
	<b>Total</b>	<b>100</b>	<b>100</b>
<b>Residential Area</b>	Urban	28	28
	Semi-Urban	28	28
	<b>Rural</b>	<b>44</b>	<b>44</b>
	<b>Total</b>	<b>100</b>	<b>100</b>

**Source: Primary data**

The majority (36%) of the respondents belong to the 31–40 years age group. A significant proportion (62%) of the respondents are male. Most respondents (32%) are undergraduates in terms of educational qualification. Regarding occupation, 24% of the respondents are unemployed, while 20% each are employed in the private sector and public sector. The dominant income group among respondents is ₹21,001–₹30,000 (32%). A majority (44%) of the respondents reside in rural areas.

**CHISQUARE ANALYSIS**

**Table No.2 Describes the association between Monthly Income and Change in Spending Behaviour**

**HYPOTHESIS**

**H0:** There is no significant association between monthly income and change in spending behaviour due to digital payments.

**H1:** There is a significant association between monthly income and change in spending behaviour due to digital payments.

	<b>Value</b>	<b>df</b>	<b>Asymptotic Significance</b>
Pearson Chi-Square	22.670	12	.031
Likelihood Ratio	28.959	12	.004
Linear-by-Linear Association	5.330	1	.021
N of Valid Cases	100		

**Source: Primary data**

**Interpretation:**

Since the significance value (0.031) is less than 0.05, the null hypothesis is rejected. There is a significant association between monthly income and change in spending behaviour due to digital payment usage. This indicates that income level plays a meaningful role in determining how digital payments alter expenditure patterns among Gen Z consumers.

**ANOVA**

**Table No.3 Describes the difference between Age Group and Impulsive Buying Behaviour**

**HYPOTHESIS**

**H0:** There is no significant difference in impulsive buying behaviour and among Age groups.

**H1:** There is a significant difference in impulsive buying behaviour and Age groups.

<b>Impulsive Buying behaviour</b>	<b>Sum of Squares</b>	<b>df</b>	<b>Mean Square</b>	<b>F</b>	<b>Sig.</b>
Between Groups	7.089	3	2.363	2.265	.086
Within Groups	100.151	96	1.043		
Total	107.240	99			

**Source: Primary data**

**Interpretation:**

Since the significance value (0.086) is greater than 0.05, the null hypothesis is accepted. There is no significant difference in impulsive buying behaviour among different age groups. This suggests that the tendency to make impulse purchases when using digital payments is relatively consistent across the age spectrum studied.

**VIII. FINDINGS OF THE STUDY**

- The majority (36%) of the respondents belong to the 31–40 years age group, indicating higher participation from young and middle-aged adults.
- A significant proportion (62%) of the respondents are male, showing relatively higher engagement in digital payment usage among males.
- In terms of educational qualification, most respondents (32%) are undergraduates, followed by 30% who have completed high school.
- Regarding occupation, 24% of the respondents are unemployed, while 20% each are employed in the private and public sectors.
- The dominant income group among respondents is ₹21,001–₹30,000 (32%), indicating moderate earning capacity.
- A majority (44%) of the respondents reside in rural areas, suggesting that digital payment usage is not limited to urban populations.
- The Chi-square analysis reveals a significant association between monthly income and change in spending behaviour due to digital payments ( $p = 0.031 < 0.05$ ). This indicates that income level influences how digital payments affect expenditure patterns.
- The ANOVA analysis shows that there is no significant difference in impulsive buying behaviour among different age groups ( $p = 0.086 > 0.05$ ), suggesting that impulsive spending tendencies are relatively similar across age categories.

**IX. SUGGESTIONS OF THE STUDY**

- Digital payment service providers should prioritize transaction speed, as it is the strongest predictor of spending behaviour among Gen Z.
- Awareness programs and financial literacy workshops should be conducted to promote responsible spending habits among young digital payment users.
- Platforms should provide enhanced expense tracking and budgeting tools to help users monitor and control their digital expenditure.
- Promotional offers such as discounts and cashback should be designed to encourage planned rather than impulsive spending.
- Security features should be strengthened and clearly communicated to build trust and confidence among users.
- Applications should maintain simple and intuitive interfaces to ensure ease of use across diverse user groups.

**X. CONCLUSION**

This study concludes that digital payment systems have become an integral part of modern financial transactions, particularly among Generation Z consumers in Coimbatore. The findings reveal that income level significantly influences changes in spending behaviour following digital payment adoption, while age does not meaningfully differentiate impulsive buying tendencies. Transaction speed, discount influence, and security concerns are the most significant drivers of spending behaviour, highlighting the importance of fast, reliable, and secure payment experiences. Although a majority of respondents exhibit moderate spending patterns, the finding that 54% perceive themselves as spending more via digital channels underscores the relevance of the cashless effect in this demographic. Improving digital infrastructure, strengthening security measures, and promoting financial awareness are therefore essential for ensuring responsible,



sustainable, and informed usage of digital payment systems, ultimately contributing to a healthier digital financial ecosystem for the Gen Z population.

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