



# TRANSFORMING TO TRANSACTIONS: HOW DIGITAL PAYMENTS SHAPE CONSUMER BEHAVIOUR

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## ABSTRACT

The study objective is to examine the impact of digital payment on consumer behaviour within the service sector. It examines how technology, user behaviour and economic dimension influence consumer behaviour and engagement with digital payment system. Data were collected through surveys administered to employees across diverse service industries, including education, retail, and hospitality, who regularly interact with digital payment transactions. Regression analysis revealed that all three dimensions significantly affect consumer behavior, with economic factors exerting the strongest negative influence, followed by technological limitations and user behavior considerations. The findings indicate that economic constraints such as perceived costs and lack of incentives are primary barriers to widespread adoption, while technological issues and user-related factors also contribute meaningfully to shaping consumer perceptions and usage patterns. The study underscores the need for targeted strategies to address economic and technological barriers and to foster positive attitudes toward digital payments. These insights can inform policymakers, service providers, and technology developers seeking to promote a more cashless, efficient, and consumer-friendly payment ecosystem.

**Keywords:** Digital Payments, Service Sector, Consumer Behavior, User Behavior

## 1. INTRODUCTION

The financial transaction landscape has been significantly altered by the quick growth of digital technologies, particularly in the consumer sector. Digital payment systems are among the most revolutionary breakthroughs, defining how consumers interact, pay for goods and services, and make purchases. Everything has moved online, including health examinations, full-time work, and schooling. It's crucial to keep in mind that most of our daily tasks now include making payments and transactions online (Mohan et al., 2017). In Today's Era, Digital payments are popular Modern payment methods were made possible by the development of information and communication technologies. People's life becomes easier by the creation of smartphones and internet access, which also accompanied in digitalization. In addition to enhancing trade and commerce, digitalization facilitated quick and easy financial transactions. People's lifestyles have changed significantly because of the development of information and communication technology. Digitalization and ICT have greatly advanced the domains of marketing, finance, economics, and other related fields (Nasution et al., 2024),

(Ghosh, G., 2021). In India, the use of smartphones and the internet has grown astronomically. The usage of digital payment systems is growing exponentially because of numerous government initiatives, including the Digital India campaign, cellphone penetration, and rising internet use (Sarkar, 2019).

Digital payments have created buzz. It has grown in importance in the last many years. Both the public and corporate sectors are recognizing its increasing significance and seizing the chance. Digital payments gained popularity due to the advent of new technologies and the necessity for a worldwide business (Patil et al., 2017). Digital payments play a significant part in the payment sector due to the widespread use of mobile devices worldwide. Due to the widespread use of mobile devices, there are numerous chances to revolutionize how consumers handle and transfer money through safe mobile transactions (Augsburg et al., 2014). Peoples are now taking the benefits of digital payment methods and extensive marketing, people in India and other nations are reluctant to adopt mobile payments and other digital payment methods. This makes conducting research in this field more relevant and motivating (WEF\_MFSD\_Report\_2011).

Rapid technical advancements have led to an annual increase in the general welfare of consumers. Due to technological advancements and digitalization, the current scenario has completely changed, demanding customers to automate financial services (Nigam et al., 2024). A crucial component of corporate strategy and a major differentiator, customer happiness is becoming more widely recognized (Bajpai et al., 2022). The quick adoption of digital technologies is causing a significant change in the environment of consumer financial transactions. Reaching the greatest number of people has become feasible due to the rise in smartphone and Internet usage across all demographic groups (Akhlaq et al., 2022).

## 2. LITERATURE REVIEW

### 2.1. DIMENSIONS OF DIGITAL PAYMENTS

#### Technological dimensions

Technology is now a powerful tool that can be used to solve the most difficult technological problems in the globe. To carry out their strategic aims, business and nonprofit organizations frequently struggle to develop a systematic approach to strategically applying technology. There is more to digital transformation than just technology. Connecting people, processes, and technology is essential to fostering innovation and bringing about change (Purba, 2015).

Rapid adoption of new technologies has emerged as the most competitive factor among providers of goods and services in an effort to meet the quickly rising expectations of their clientele, which are a result of a broad orientation toward a technologically advanced environment (Liu et al., 2015). When compared to other technology, mobile phones have reportedly had the biggest impact on people's life during the past ten years (Jack and Suri, 2011). Furthermore, due to the widespread usage of mobile phones, people's everyday activities have shifted from the real world to a virtual one, resulting in significant changes (Thakur and Srivastava, 2014). (N. Rakesh et al., 2018) study looks at the current state of electronic payments and the variety of services provided by UPI-BHIM technology. There are now more electronic transactions. This would only be possible if the Indian populace widely recognized and accepted common tools like e-wallets, credit and debit cards, and net banking. However, it was unexpected that UPI turned out to be the true differentiator.

#### User Behaviour dimensions

Consumer behavior is significantly impacted by this expansion of digital payments, which affects elements like satisfaction, trust, and buying habits. Numerous environmental, cultural, and psychological elements, including attitudes, perceived risks, trust, and social norms, influence what consumers choose to buy, according to consumer behavior theory (Solomon, 2017). According to Kotler and Keller (2016), in addition to transactional convenience, a deeper emotional and habitual response to the incorporation of technology into daily life must be examined to understand customer behavior. Alaknanda Lonare et al. (2018) comprehend the elements impacting the increase in user proportion and its significance in the adoption of e-wallets, as well as the differential in user proportion across metro and tier-2 cities. Metropolitan cities have a higher proportion of users than Tier 2 cities. 'Simplicity' or simplicity of use proved to be the only significant predictor of e-wallet adoption.

#### Economic dimensions

As the globe is moving towards a cashless society, it is confidently believed that transformation from cash to cashless is beneficial to the nation's economy. Digital payments could be viewed as a potential medium for conducting everyday

transactions in the near future, not only because it provides the user with convenience by allowing access to all payment options from his or her smart device, but also because it aids in dealing with the few issues associated with cash that could be significant in the long run. Economies all over the world can benefit from digitization and digitizing the way we do transactions, as these integrations provide the necessary push to improve performance in terms of efficiency, research and development, and economic growth.

Global economies can benefit from digitization and the digitalization of transaction processes since these linkages provide the impetus for improved performance in terms of productivity, R&D, and economic expansion. Although it is too soon to rule out this notion, new theories of economic growth link technical advancements and innovation to beneficial economic spillovers that could boost economic growth.

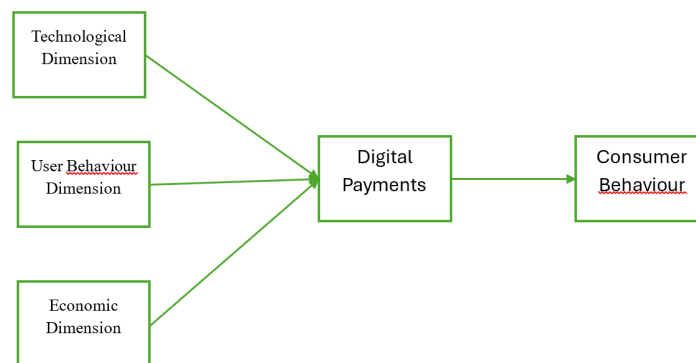
## 2.2. DIGITAL PAYMENT AND CONSUMER BEHAVIOUR

The e-payment system in India is going through a major transformation. E-commerce and mobile phones are growing quickly, and consumers are growing more interested in digital technology. The expansion of digital payments in India has been driven by the rise in mobile penetration and advancements in payment infrastructure (Mishra et al., 2016). The Indian payment sector, which has undergone tremendous digitization in recent years, offers a plethora of potential prospects. The overall volume of digital payments grew by 46.5% in FY19, on top of a 60.6% increase in FY18. Over a billion transactions are processed monthly using UPI, a payment system that was first implemented in 2016 (Shree et al., 2021). Liu et al. (2012) found that by offering numerous payment alternatives and speeding up transactions, digital pocket money provided more comfort to consumers.

According to Roy and Sinha (2014), e-payment systems had significantly expanded in India, and there was further room for the use of digital bills to increase. They also noted that the e-price gadget had been improved by inventiveness, incentives, comfort, and crime provisions.

## 3. CONCEPTUAL FRAMEWORK

After reviewing the literature, the proposed framework for this research covers all essential independent variables related to digital payments, including technological, user behavior, and economic characteristics. This study's dependent variable is consumer behaviour. The proposed framework is complete and useful, given the use of similar models in previous studies. This study aims to analyze the relationship between the independent variable (digital payment aspects) and the dependent variable (consumer behavior).



## 4. RESEARCH METHODOLOGY

In this study, the data was collected from employees across various service sectors, including those working in the education sector, healthcare, hospitality and engineering services etc., participants were selected based on their usage of digital payments. The sampling approach was designed to obtain insights into the perceived impact of digital payment on consumer behaviour. The main objective is to examine the widespread use of digital payment that influences consumer behaviour in the service sector.

We used a quantitative study design using closed-ended questionnaires to collect data. The questionnaires aimed to uncover factors influencing consumer behaviour. 79 respondents completed questionnaires on digital payment and job embeddedness, offering valuable insights. The questionnaires used a 5-point Likert scale to evaluate and quantify characteristics related to consumer behaviour. The questionnaire collected demographic information along with survey data. The data was analyzed using SPSS software, including Descriptive Statistics, Pearson Correlation, and Multiple Regression, to examine the link between digital payment and consumer behaviour. The study focuses on consumer behavior as the dependent variable, with independent variables including dimensions (technology, user behavior, and economics) of digital payments. The study evaluates whether each independent variable has a meaningful impact on the dependent variable. Data from closed-ended surveys were analyzed using SPSS and presented in tables. The frequency distribution (frequency counts, percentages, and cumulative percentages) were used to analyze respondents' characteristics and responses. These findings shed light on how digital payment affects customer behavior, particularly in the service sector.

## 5. RESULT AND DISCUSSION

### 5.1. DESCRIPTIVE ANALYSIS

This segment presents a thorough analysis of the respondents' demographic profile. 6 key demographic variables are studied: gender, age, education level, tenure with the company, monthly income, and job category. The data for each variable are summarized using frequency distributions and percentages, providing a clear overview of the characteristics of the respondents.

**Table 1** Respondent Profile

Respondent Profile		Number of Respondents
Gender	Male	45
	Female	34
Age	25-30	20
	31-35	25
	36-40	19
	41-45	15
Education Level	Bachelor's Degree	34
	Master's Degree	40
	PhD	5
Tenure	< 1 year	20
	1-2 years	15
	2-4 years	19
	4-6 years	25
Monthly Income	18000-25000	20
	26000-50000	18
	51000-75000	15
	76000-100000	10
	More than 100000	16
Job Category	Top Level	30
	Middle Level	29
	Operational Level	20

### 5.2. CORRELATION ANALYSIS

Pearson correlation and Multiple Regression analysis were used to investigate and explain the relationship between variables. Pearson's correlation coefficient was utilized to evaluate relationship strength. Pearson's correlation measures the strength and direction of a linear relationship between two variables. Multiple Regression analyzes how multiple independent factors affect the dependent variable.

The coefficient range provides a general guideline for assessing the size of associations between variables. Table 2 provides correlation coefficient ranges and explanations. These criteria help analyse the study's identified links more effectively.

**Table 2** Correlation Analysis

Coefficient ranges	Strength association
$r = 1$	Perfect positive correlation
$0.7 < r < 1$	Strong positive correlation
$0.5 < r < 0.7$	Moderative positive correlation
$0.3 < r < 0.5$	Weak positive correlation
$r = 0$	No correlation

These findings suggest that improvements in technology, enhanced user experience, and favorable economic factors collectively contribute to shaping consumers' adoption patterns, purchase frequency, and overall satisfaction with digital payment methods.

**Table 3** Pearson Correlation Analysis

	r value	Sig.
Technology	-0.444	0.002
User Behaviour	-0.356	0.000
Economic	-0.670	0.001

### 5.3. MULTIPLE REGRESSION ANALYSIS

Multiple regression is a statistical technique that examines the relationship between one dependent variable and two or more independent variables. The model predicts the dependent variable based on independent factors and assesses how each contributes to its variance. Table 4 shows a regression analysis with consumer behavior as the dependent variable and three digital payment components (technology, user behavior, and economic) as independent variables. This analysis examines the individual and combined effects of these characteristics on consumer behavior.

**Table 4** Multiple regression analysis

Variables	Beta	Sig
Technology	<b>-0.3</b>	<b>0.04</b>
User Behaviour	<b>-0.2</b>	<b>0.00</b>
Economic	<b>-0.5</b>	<b>0.01</b>
R	<b>0.710</b>	
R <sup>2</sup>	<b>0.540</b>	
F	<b>12.20</b>	

Based on the results obtained in Table 4, In the regression analysis, all three dimensions of digital payments significantly impact consumer behaviour. The economic dimension had the biggest effect (beta = -0.5, p = 0.01), resulting in a 0.5 unit decline in consumer behavior for every 1 unit increase in economics. The technology factor has a significant negative impact on consumer behavior, with a beta of -0.3 and p = 0.04, indicating the importance of improved digital payment methods. Despite having the weakest influence, user behavior nevertheless has a beta of -0.2 and a highly significant p-value of 0.00. These findings suggest that economic factors have a significant impact on consumer behavior, followed by technology and economics.

The R-value of 0.710 shows a good association between the independent factors (digital payments) and the dependent variable (customer behavior). This shows that the combination of digital payment elements significantly impacts consumer behavior. The independent variables (digital payment dimension) account for 54% of the variance in customer behavior (R<sup>2</sup> = 0.540). The model accurately explains the technological, user behavior, and economic aspects of digital payment systems' impact on customer behavior in the service industry.

The F-value of 12.20 indicates that the regression model is statistically significant. The combination of independent variables (digital payment aspects) significantly predicts customer behavior. The F-test's p-value of less than 0.05



indicates that the model accurately predicts consumer behavior based on individual p-values. This regression research reveals that job digital payments have a considerable impact on consumer behaviour, with the economic factor being the most influential.

On the basis of the P-value in the Table, all three hypotheses are supported by their respective p-values, affirming that the dimensions of Digital payments—Technological, user behaviour and economic—significantly influence consumer behaviour.

## 6. CONCLUSIONS

The findings of this study provide a comprehensive view of how various factors—technology, user behaviour, and economic conditions—influence consumer behaviour in the context of digital payment adoption. The respondent profile reveals a relatively diverse sample in terms of gender, age, education, income, and job category, with a considerable portion of respondents holding either bachelor's or master's degrees and occupying top or middle-level roles. This diversity enhances the generalizability of the insights drawn from the analysis. A notable observation is that a significant number of respondents fall within the income range of ₹18,000–₹75,000, suggesting that the study primarily captures middle-income consumers—an important segment in the digital payment landscape.

The Pearson correlation analysis reveals a statistically significant negative relationship between all three independent variables—technology ( $r = -0.444$ ), user behaviour ( $r = -0.356$ ), and economic factors ( $r = -0.670$ )—and consumer behaviour towards digital payments. Among these, economic factors demonstrate the strongest negative correlation, indicating that financial concerns such as perceived cost, transaction charges, or instability in personal income may significantly deter consumers from embracing digital payment methods. The regression analysis reinforces this, with economic factors holding the highest negative beta value ( $-0.5$ ), followed by technology ( $-0.3$ ) and user behaviour ( $-0.2$ ), all of which are statistically significant. The model shows a moderately strong relationship ( $R = 0.710$ ), and the  $R^2$  value of 0.540 indicates that 54% of the variance in consumer behaviour can be explained by these three variables collectively.

These results suggest that although technological advancements and ease of use are often emphasized in promoting digital payment systems, underlying economic concerns remain the most powerful inhibitors. User behaviour, including trust in digital platforms and familiarity with mobile payment interfaces, also plays a critical role but to a slightly lesser extent. Technological aspects—such as app reliability, transaction speed, and security—are influential but not sufficient on their own to shift consumer behaviour positively. Policymakers and fintech providers must, therefore, take a more holistic approach: offering not only technological innovation but also financial incentives, economic safeguards, and user education initiatives tailored to the varying demographic and occupational segments, as identified in the respondent profile.

## 7. LIMITATION AND FUTURE STUDY

Despite the valuable insights gained from this study, several limitations must be acknowledged. First, the sample size, while diverse, was limited in scope and may not fully represent the broader population, particularly rural users or those outside the formal workforce who may engage differently with digital payment platforms. The cross-sectional nature of the study also restricts the ability to observe behavioural changes over time, especially as new technologies and economic policies emerge. Additionally, the study relies on self-reported data, which may be influenced by respondent bias or a lack of accurate recall, particularly in areas related to income, app usage, or transaction frequency.

Looking ahead, future research should explore longitudinal designs to assess how consumer behaviour evolves with technological maturity, changing income levels, and regulatory shifts. It would also be beneficial to include qualitative insights to capture deeper psychological factors such as digital trust, resistance to change, or financial anxiety. Exploring regional and cultural differences, especially in Tier-II and Tier-III cities or among older demographics, can uncover behavioural nuances currently overlooked. Moreover, integrating emerging variables such as data privacy concerns, the impact of government incentives, and AI-driven personalization in digital payment apps could offer a more comprehensive understanding of the drivers and barriers shaping consumer adoption in the digital economy.

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## CONFLICT OF INTERESTS

None.

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