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A STUDY ON DIGITAL PAYMENT BEHAVIOUR OF YOUNG GENERATION

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Abstract

This study explores the digital payment behavior of the young generation, specifically millennials and Generation Z, in an increasingly cashless society. Utilizing a mixed-methods approach, the research analyzes quantitative data from surveys conducted across diverse demographics and qualitative insights from focus group discussions. Key findings indicate that convenience, security, and social influence significantly drive the adoption of digital payment methods among young individuals. The study reveals a strong preference for mobile wallets and contactless payments, with an emphasis on the influence of technological familiarity and peer recommendations. Additionally, concerns regarding data privacy and security remain pivotal in shaping their payment choices. By understanding these behaviors, the study provides valuable insights for financial institutions and technology developers aiming to enhance user experience and trust in digital payment ecosystems. The findings emphasize the need for targeted strategies to improve adoption rates and address the underlying concerns of this demographic, ultimately contributing to the evolution of digital payment systems.

INTRODUCTION

Digital payment behavior has transformed significantly with the rise of technology, influencing how individuals and businesses conduct transactions. The increasing adoption of smart phones, internet banking, and mobile wallets has made digital payments more convenient, secure, and efficient. Consumer preferences have shifted toward cashless transactions due to speed, accessibility, and rewards offered by digital platforms. Additionally, factors such as trust, security, and user experience play a crucial role in shaping payment behaviors. Businesses and financial institutions continuously innovate to enhance digital payment solutions, ensuring seamless transactions. Understanding digital payment behavior is essential for policymakers, businesses, and consumers in the evolving financial landscape.

DIGITAL PAYMENT

Digital payment has revolutionized the way financial transactions are conducted worldwide. With the rapid advancement of technology, cashless payments have become more popular, offering convenience, security, and efficiency. The rise of smart phones, internet banking, and mobile payment applications has significantly influenced consumer behavior,

making digital transactions an integral part of daily life. Governments and businesses are actively promoting digital payments to enhance financial inclusion, reduce transaction costs, and improve economic efficiency. Digital payment refers to transactions that take place through electronic means without the use of physical cash. It includes online banking, credit and debit cards, mobile wallets, QR code payments, and contactless payments. These methods provide users with a seamless and secure way to make purchases, transfer funds, and pay for services instantly. Digital payments have gained momentum due to their ability to simplify financial transactions and reduce dependency on cash.

Digital Payment Methods Types

- Credit and Debit Cards – These are widely used for online and offline transactions. They provide security, rewards, and ease of use.
- Mobile Wallets – Applications like PayPal, Google Pay, Apple Pay, and Pay tm allow users to store funds and make payments through their smart phones.
- Internet Banking – Customers can transfer money, pay bills, and manage their finances through online banking platforms provided by banks.
- UPI (Unified Payments Interface) – A real-time payment system that enables instant money transfers between bank accounts using mobile apps.
- QR Code Payments – QR codes allow users to scan and pay instantly, reducing the need for card-based transactions.
- Crypto currency Payments – Digital currencies like Bit coin and Ethereum offer decentralized payment options with enhanced security.

Benefits of Digital Payment

- Convenience – Users can make payments anytime and anywhere without the need for physical cash.
- Security – Advanced encryption technologies protect transactions from fraud and theft.
- Speed and Efficiency – Digital payments are faster compared to cash transactions, reducing processing time.
- Financial Inclusion – People without access to traditional banking services can participate in the digital economy.
- Tracking and Transparency – Every transaction is recorded, making it easier to track expenses and prevent fraud.

REVIEW OF LITERATURE

The adoption of digital payment methods among young consumers has been extensively studied, revealing a complex interplay of factors influencing their behavior. A recurring theme across the literature is the emphasis on convenience and speed as primary motivators for adoption. Laukkanen (2016) highlights that young consumers, being early adopters, are drawn to digital payments due to their preference for swift and mobile-first solutions. Similarly, Singh (2017) and Oliveira et al. (2016) underscore that the ease of use and accessibility of mobile wallets and contactless payments resonate with the tech-savvy nature of the younger demographic.

However, despite the appeal of convenience, security concerns and trust issues emerge as significant barriers to widespread adoption. Laukkanen (2016) notes that, despite their technological proficiency, some young consumers remain cautious due to fraud risks and cybersecurity threats. Singh (2017) and Oliveira et al. (2016) echo this sentiment, identifying perceived risk and data privacy concerns as deterrents. These findings suggest that while young consumers are inclined towards adopting digital payments, their apprehensions regarding security cannot be overlooked.

Financial literacy also plays a crucial role in the adoption process. Yang et al. (2020) find that young users are more inclined to trust digital payments when they have a better understanding of the technology and associated risks. This implies that educational initiatives aimed at enhancing financial literacy could mitigate some of the security concerns and foster

greater adoption among the youth. Incentives and rewards have been identified as effective strategies to encourage adoption. Sharma et al. (2019) observe that reward-based incentives, such as cashback and discounts, significantly influence young people's adoption of digital payments. Hassan et al. (2021) further suggest that gamification and engaging user interfaces can enhance user adoption and long-term engagement. These insights indicate that beyond addressing security concerns, providing tangible benefits can play a pivotal role in attracting young consumers to digital payment platforms. Social influence and peer behavior are additional factors shaping the adoption landscape. Zhang and Dodgson (2018) emphasize that peer behavior and social trends significantly influence young consumers' preferences for mobile payment solutions. This suggests that leveraging social networks and peer recommendations could be a strategic approach to promote digital payment methods among the youth.

Emerging technologies and innovations also contribute to the evolving preferences of young consumers. Vera et al. (2022) note a growing interest in cryptocurrency-based payments and digital wallets, driven by ease of use and perceived security features. Additionally, advancements such as biometric authentication and AI-driven financial tools are shaping the future of payments for young people, as highlighted by Kauri (2023). Despite the positive trajectory towards digital payment adoption, challenges remain. Concerns about data privacy, fraud, and regulatory issues persist, as noted by Patel (2024) and Vera et al. (2022). Addressing these challenges requires a multifaceted approach, including enhancing security measures, providing financial education, and offering incentives to build trust and encourage adoption among young consumers.

Research gap

The literature indicates that while convenience and technological affinity drive young consumers towards digital payments, addressing security concerns, enhancing financial literacy, leveraging social influences, and providing incentives are critical to achieving widespread adoption. As the digital payment landscape continues to evolve, ongoing research and adaptive strategies will be essential to meet the changing preferences and expectations of the younger demographic.

STATEMENT OF THE PROBLEM

The increasing adoption of digital payment systems has transformed the financial landscape globally. The young generation, particularly individuals aged 18–35, plays a crucial role in driving this digital shift due to their familiarity with technology, internet access, and preference for cashless transactions. However, despite the rapid growth of digital payment solutions, various factors influence the adoption, usage patterns, and challenges faced by young consumers. Understanding their digital payment behavior is essential for financial institutions, businesses, and policymakers to enhance payment experiences, ensure security, and promote financial inclusion. While digital payment methods offer convenience, security, and speed, several issues affect their widespread adoption and consistent usage among young consumers. This study identifies key challenges, including trust, security concerns, transaction failures, privacy risks, and the digital divide, which impact digital payment behavior among the younger population.

OBJECTIVE OF THE STUDY

To explore the impact of digital payment behavior on financial inclusion and economic activities.

RESEARCH METHODOLOGY

Research Design

This study adopts a mixed-methods research design, combining both qualitative and quantitative approaches to provide a comprehensive understanding of the digital payment behavior of the young generation.

Data Collection

- **Primary Data:** Data will be collected through surveys and structured questionnaires distributed to young consumers aged 18-35. The survey will include questions related to digital payment preferences, frequency of use, factors influencing their choices, and

concerns about security and privacy. Additionally, semi-structured interviews will be conducted with a small sample of respondents to gather deeper insights into their digital payment behaviors and experiences.

- **Secondary Data:** Relevant secondary data will be sourced from industry reports, academic articles, and previous studies to understand broader trends in digital payment adoption among young consumers.

Sampling Technique

A **stratified random sampling** technique will be used to ensure a representative sample of young consumers from diverse backgrounds, including different geographical locations (urban and rural), socioeconomic statuses, and education levels.

Data Analysis

Quantitative data will be analyzed using descriptive statistics, such as frequencies, percentages, and cross-tabulations, to identify trends and patterns. Qualitative data from interviews will be coded and analyzed thematically to uncover key insights into the attitudes, motivations, and challenges faced by young consumers in adopting digital payments.

Table -1

	Variables	Description	Responses
1.	Age	18-25	103
		25-30	7
		Above 30	0
2.	gender	Male	43
		Female	67
3.	Education	School	36
		College	74
4.	Place	Rural	40
		Urban	70
5.	Employment	Student	88
		Private employee	19
		Self employee	1
		Govt	2
6.	I prefer using digital payment method(mobile wallets, online banking) over	Strongly disagree	5
		Disagree	10

	cash for every day transactions	Neutral	4
		Agree	12
		Strongly agree	79
7.	I feel comfortable using digital wallets mobile payments apps(Google pay,phone pe,pay tm)	Strongly disagree	2
		Disagree	2
		Neutral	10
		Agree	08
		Strongly agree	68
8.	I often make online purchases using digital payments method	Strongly disagree	0
		Disagree	4
		Neutral	27
		Agree	59
		Strongly agree	20
9.	I prefer using digital payments over traditional payment method	Strongly disagree	2
		Disagree	56
		Neutral	25
		Agree	18
		Strongly agree	9
10.	I feel comfortable sharing my financial detail on digital payment	Strongly disagree	4
		Disagree	32
		Neutral	40
		Agree	26
		Strongly agree	8
11.	Digital payments make shopping online more	Strongly disagree	17

	convenient for me	Disagree	42
		Neutral	22
		Agree	21
		Strongly agree	8
12.	I rely on digital payments for transferring money to friends and family	Strongly disagree	17
		Disagree	19
		Neutral	26
		Agree	30
		Strongly agree	18
13.	I feel secure using digital payment Methods for making transactions	Strongly disagree	11
		Disagree	13
		Neutral	24
		Agree	43
		Strongly agree	19
14.	I feel that digital payments save me time compared to traditional payment method	Strongly disagree	12
		Disagree	38
		Neutral	17
		Agree	25
		Strongly agree	18
15.	How satisfied are you with the overall experience of using digital payments systems	Very satisfied	4
		Dissatisfied	9
		neutral	11
		Satisfied	15
		very satisfied	71
16	How easy is to digital payment system	Very difficult	4

		Difficult	4
		Neutral	12
		Easy	21
		Very easy	69
17.	I think digital payments are becoming the preferred method of payment for my generation	Strongly disagree	14
		Disagree	22
		Neutral	34
		Agree	18
		Strongly agree	22
18.	I open trying to new digital payment technologies(cryptocurrency,biometri) payment	Strongly disagree	12
		Disagree	41
		Neutral	25
		Agree	18
		Strongly agree	14
19.	I regularly use contactless payment methods NFC quick payments	Strongly disagree	10
		Disagree	33
		Neutral	16
		Agree	36
		Strongly agree	14
20.	What improvements would you like to see in digital payment system	Strongly disagree	75
		Disagree	8
		Neutral	11
		Agree	15
		Strongly agree	1

MAJOR FINDINGS

Demographic profile

The majority of respondents (93.6%) are aged between 18-25 years, indicating that the study focuses primarily on young individuals. More females (60.9%) participated in the survey compared to males (39.1%). Most respondents (67.3%) are college students, while 32.7% have a school-level education.

A larger proportion (63.6%) of respondents belong to urban areas, while 36.4% are from rural regions. The majority (80%) are students, followed by 17.3% who are self-employed, with only a small portion employed in government (0.9%) and private sectors (1.8%).

Digital Payment Preferences and Usage:

A significant majority (71.8%) strongly agree that they prefer using digital payment methods over cash for everyday transactions. About 61.8% strongly agree that they feel comfortable using digital wallets and mobile payment apps like Google Pay, Pay tm, and PhonePe. A majority (53.6%) agree that they frequently use digital payment methods for purchases, but 24.5% remain neutral. Despite high usage, 50.9% of respondents still prefer traditional payment methods over digital payments, indicating some reluctance to fully transition.

Trust and Security Concerns:

36.4% of respondents are neutral about sharing financial details on digital payment platforms, while 29.1% disagree, indicating concerns over security. While 39.1% agree that they feel secure using digital payments, 21.8% remain neutral, and 21.8% (combined) disagree or strongly disagree, highlighting trust issues.

Convenience and Efficiency:

While 22.7% agree and 16.4% strongly agree that digital payments save time, 34.5% disagree, showing mixed perceptions regarding efficiency. 64.5% of respondents are very satisfied with digital payment systems, while only 11.8% expressed dissatisfaction. 62.7% of respondents found digital payments "very easy" to use, while only 7.2% faced difficulty.

Adoption of New Technologies and Contactless Payments:

36.4% believe digital payments are becoming the preferred method for their generation, while 32.7% disagree, indicating a generational divide. A significant 48.2% of respondents are not open to adopting new digital payment technologies, indicating hesitation toward emerging innovations. 45.8% use contactless payments regularly, but 39.4% do not, suggesting that NFC adoption is still growing.

Improvements Needed in Digital Payment Systems:

A majority (68.8%) of respondents want better security features in digital payment systems. 13.8% seek improved privacy measures. 10.1% of respondents believe transaction fees should be reduced. 7.3% want more intuitive and simpler digital payment interfaces.

SUGGESTIONS

Address users' security concerns by introducing advanced fraud protection, two-factor authentication, and real-time alerts for suspicious transactions. Strengthen data encryption and implement strict privacy policies to build user trust. Lower or eliminate extra charges, especially for peer-to-peer transactions, to encourage frequent usage. Awareness campaigns on security, efficiency, and ease of use can help increase adoption. Simplify digital payment applications to cater to less tech-savvy individuals.

Establish clearer policies for consumer protection, fraud prevention, and data privacy in digital transactions. Provide incentives, such as cash back or tax benefits, for businesses and individuals who prefer digital payments.

Avoid sharing financial details carelessly, use strong passwords, and enable security features on digital wallets. Users should stay informed about newer payment innovations like

crypto currency and biometric authentication to make informed choices. Since rural adoption is lower than urban areas, awareness programs and financial literacy campaigns can help bridge the gap.

CONCLUSION

The study reveals that digital payment methods are widely accepted among young individuals, particularly among students and urban users. However, despite high adoption, concerns about security, trust, and privacy remain significant barriers to complete digital payment dependence. Although a large percentage of respondents actively use digital payments, a notable portion still prefers traditional methods, suggesting that convenience alone is not enough for full adoption.

Many respondents are hesitant to share financial details, indicating the need for more secure and transparent digital payment systems. The younger generation remains cautious about emerging payment technologies such as crypto currency and biometric payments. A significant portion of respondents uses NFC-based payments, but nearly 40% do not, showing room for growth. While most respondents are satisfied with digital payment systems, improvements in security, privacy, and transaction costs could further enhance user experience.

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