

INFLUENCE OF CASHLESS PAYMENT ADOPTION ON THE SPENDING PATTERNS AND FINANCIAL PRACTICES OF YOUTH IN VADODARA CITY

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Abstract

This study acts as a first step in determining the impact of cashless payments on the spending habits and financial behaviour of the youth (age 18-25) in the city of Vadodara in India. The study involved designing and conducting a questionnaire survey and analysing responses from respondents who use cashless payment often. Significant cashless payment methods adoption, mainly due to the convenience, security and rewards; mixed spending patterns impact; some consumers report the increases, others experience decreases or no change; saving and investment decisions variable effects; personal finance literacy for some participants but not all; the participants to a limited attendance to the financial education programs or workshops. The research ensures a consistent approach to data collection, analysis, and interpretation. The findings highlight the significance of identifying the incentives driving the usage of cashless payments by young people and, more importantly, the need for targeted interventions to address the hurdles which youth face when dealing with their finances as they seek to adopt these cashless methods. The study as well so underlines the function of financial education for enhancing youth 's financial choice making. The next step here, would be, to come up with customized solutions that will enable the youth to choose wisely as regards their using and saving habits.

Keywords: cashless payments, financial habits, spending patterns, youth, financial literacy, fintech, .

OVERVIEW

The Fintech industry, short for financial technology, has undergone significant and rapid changes in recent years. Fintech encompasses a wide range of new technologies and services designed to transform the financial sector. From digital payments and blockchain to robot advisors and cryptocurrencies, fintech has disrupted traditional financial services and given consumers new ways to manage money and access financial products. In addition, blockchain technology and cryptocurrencies such as Bitcoin and Ethereum continue to attract significant attention. They have become popular, attracting both individual and institutional investors. The neo-banks have challenged traditional banks that offer competitive rates and convenient services with a digital-only approach and user-friendly interfaces. Online lending platforms and peer-to-peer lending have grown significantly and provide alternative sources of credit. borrower Algorithm-driven advisors have been providing automated financial advice and investment advice to attract tech-savvy investors in particular. These developments demonstrate the ability of fintech to democratize access to financial services. Despite the promising future, fintech has faced several challenges. This remains a major challenge as the industry operates under different regulatory conditions in different jurisdictions, sometimes leading to ambiguity and regulatory burden. In addition, the fintech industry, which deals with large amounts of financial data, has become the main target of cyberattacks, requiring cybersecurity measures. Building and maintaining customer trust has become a challenge given the sensitive nature of financial services. The fintech industry continues to expand. This will be driven by increasing consumer acceptance, continued technological progress, and widespread use of financial services. Regulatory bodies are expected to adapt to changing circumstances, provide clearer guidance and foster a more stable regulatory environment. Collaboration between fintech and traditional financial institutions is increasing, allowing both parties to collaborate and leverage. Emerging technologies have revolutionized the fintech industry by enabling faster and more secure transactions.

BACKGROUND OF STUDY

Increase in non-cash payments: Due to technical advancements and the widespread usage of smartphones, cashless payments have experienced substantial development and acceptability in recent years. This movement has altered people's financial transactions, eventually replacing cash-based transactions. Several reasons contribute to the rise in non-cash payments, including:

The growth of mobile payment applications such as Phone Pay, Apple Pay, Google Pay, and others. Users may use the app to connect their bank or credit card accounts and make payments and transfers quickly and conveniently.

Contactless Cards: Contactless payment cards, which are frequently integrated with NFC (Near Field Communication) technology, are becoming increasingly popular. Users may pay by touching their card on a contactless terminal, which speeds up and simplifies transactions.

Internet Payment Platform: To encourage consumers to make non-cash online transactions, e-commerce platforms and online marketplaces incorporate numerous digital payment solutions. Online payment gateways and wallets provide safe and convenient payment options for both online and offline purchases.

Increasing Youth Acceptance: The adoption of cashless payments by the younger generation, such as millennials and Generation Z, is a key component of the shift to cashless payments. Several factors contribute to its increasing popularity among teenagers:

Digital Native Generation: Millennials and Generation Z have grown up immersed in technology and digital solutions. They are growing more accustomed to digital interactions and are willing to try out new payment methods that match their digital lifestyle.

Tech Knowledgeable: The younger generation is more tech-savvy and adapts to new technology more quickly. They are rapidly embracing and utilizing mobile applications, internet platforms, and digital wallets for a variety of purposes, including financial transactions.

Convenience and Speed: Cashless payment provides ease and quickness, which are highly appreciated by young buyers. The option to pay with a few clicks on your smartphone or a quick debit card is convenient for today's fast-paced lifestyle.

Investigate the impact on financial behaviours: Understanding how non-cash payments affect young people's financial practices is critical since these preferences will shape their financial abilities and overall financial well-being. Cashless payments may have an influence on young customers in the following areas:

Purchasing Patterns: Non-cash payments can influence what and how young people purchase. The convenience of internet buying and digital payments may encourage online purchases and impulsive spending.

Financial Trends: Payment automation via digital techniques can have an impact on financial transactions. Regular bills, subscriptions, and savings contributions can be automated, resulting in more financial discipline.

Saving and Budgeting: Budgeting and saving tools are frequently seen on digital gadgets. These technologies may be more appealing to older customers who want to track their spending, create savings goals, and manage their money.

RECENT TRENDS

One of the most notable trends in the fintech industry is the rise of digital payments. Mobile wallets, peer-to-peer payments, and peer-to-peer payment apps have become more popular, reducing reliance on cash.

Various simple and convenient modes of digital payments, such as Bharat Interface for Money-Unified Payments Interface (BHIM-UPI), Immediate Payment Service (IMPS), and National Electronic Toll Collection (NETC), have grown significantly in the last five years, transforming the digital payment ecosystem by increasing both person-to-person (P2P) and person-to-merchant (P2M) payments. BHIM UPI has emerged as the preferred payment mechanism of citizens, with 803.6 crore digital payment transactions worth 12.98 lakh crore registered in January 2023.

REVIEW OF LITERATURE

ANA P.G (2023): Research reveals a positive relationship between UPI adoption and savings among millennials, mainly related to the platform's user-friendly interface that simplifies digital financial interactions and facilitates efficient cost management. In addition, UPI's robust security measures, including PIN verification and biometric verification, increase trust and confidence, increasing acceptance for transactions and savings. The convenience and flexibility of UPI revitalize finances by encouraging millennials to allocate more funds for savings purposes. This study clarifies UPI's impact on millennials' financial experience, highlighting its key role in building proactive savings habits and financial responsibility in the digital age.

Nguyen Minh Sang (2023): This research examines the factors that influence the intention of generation-Z customers to use QR Pay in Vietnam, identifying seven main factors in a specific order: attitude, impact of COVID-19, personal novelty, perceived suitability, easy to perceive, use, usefulness and social impact. Among them, attitudes have a direct effect, while others indirectly affect Gen Z consumers' willingness to use QR Pay. The research looked at 415 people who became customers of related services or products between September 2022 and January 2023. The research model was built based on the framework of the Technology Acceptance Model (TAM) and the Unifying Theory of Technology Acceptance and Use (UTAUT). Partial least squares structural equation modelling (PLS-SEM). The findings show the importance of these determinants in shaping Gen Z's intention to adopt QR Pay in Vietnam, especially in the context of the COVID-19 pandemic.

Pongsakorn Limna & Tanpat Kraiwanit (2022): "Evolution of Fintech" The purpose of this study is to assess the existing body of research on fintech components and current trends. A narrative synthesis is used in this review article. Data was analysed using documentation methods and content analysis through a systematic review. According to the results, fintech is an important form of digital technology. It is a rapidly growing sector of the financial services industry and has contributed significantly to the transformation of the financial market. Fintech trends and trends can be better understood with the help of this review article. Using Fintech can help entrepreneurs, managers, marketers and employees in any industry, as well as those working in the financial sector, achieve and improve business performance. In the future, quantitative research such as questionnaires and qualitative research such as interviews can be conducted to provide additional interpretation and clearer findings.

Samrat Ray (2022): Research advances our understanding of the technologies used in fintech. This research contributes to a better understanding of fintech innovation in the "digital global economy". The report also shows how new concepts contribute to the growth and expansion of the fintech industry. The main goal of the study is to find ways to improve the fintech business by changing payment methods and introducing new methods. The analysis will also look at the "digital economy". Research achieves its goal by better understanding the role of fintech. Method: Primary and secondary quantitative data are used in the study to obtain reliable results. At least 141 people answered the four questions for the primary quantitative data analysis. SPSS software was used to analyse the secondary data. Findings: A major quantitative survey shows that more than 70% of people prefer to use digital economic methods. The second quantitative data analysis relies mainly on statistical models that show that new fintech concepts will help the digital economy grow. According to statistical studies, competitive challenges have little impact on the digital economic revolution. Conclusion: According to the report, the fintech sector will contribute to the growth of the industry and the development of the digital economy by using creative methods to develop it. The process of conducting online transactions should include an additional layer of security.

Ekaterina Koroleva (2021): Russia's Competitiveness in the FinTech Sector FinTechs, or technology-driven enterprises that either disrupt or add to established financial services, originated as a result of financial industry innovation decisions. The connections between incumbents, regulators, customers, and other actors have shifted, resulting in more competition in the financial sector. We analyse the amount of rivalry among FinTechs using the modified Panzar-Rosse model and a dataset of 75 Russian fintech. The findings show that FinTechs compete monopolistically, or almost so, in Russia. The observed scenario is explained by high entry hurdles to the industry and national characteristics such as weak regulation and a lack of finance for FinTechs' activities. The study's findings emphasize how important it is to get policymakers' attention to boost Russia's financial sector's competitiveness.

Eun Young Oh and Peter Rosenkranz (2020): This study uses a sample of 62 economies from 2015 to 2017 to investigate the factors that influence peer-to-peer (P2P) lending to investigate the factors that are responsible for the global expansion of P2P lending. We discover a positive correlation between the growth of peer-to-peer lending and improvements in financial literacy, efficiency, and access to formal financial services. This study provides empirical evidence that the effects of financial literacy and development on peer-to-peer lending differ between advanced and emerging economies.

Zoe Bulger & Ethan Rouen (2022): The financial technology business appears to meet investors' ambition of doing extraordinarily well while also performing incredibly well. The promise of financial inclusion's beneficial social effect has driven fintech's stratospheric ascent and capture of more impact-related investment funds than any other industry. Fintech businesses around the world have nearly quadrupled their equity capital raised in the previous year alone. The worldwide market value of fintech businesses is presently \$5 trillion, and sector growth is expected to reach 23% over the next five years. Fintech's ability to have a large-scale influence on society contributes to its expansion. Fintech executives have committed to promoting financial well-being, boosting digital security, and raising financial inclusion for the unbanked. Shopify, PayPal, Mastercard, Visa, and other companies that present their goods and services as tools for financial inclusion and equitable economic growth are embracing this promise. Investors are also excited about the potential effect of fintech: Today's sector gets around one-quarter of all impact-oriented investment, more than any other industry, with almost \$250 billion in assets under management.

RESEARCH METHODOLOGY

1. Title of Study:

"Influence of Cashless Payment Adoption on the Spending Patterns and Financial Practices of Youth in Vadodara City"

2. Significance of The Study:

The study aims to investigate the influence of cashless payment adoption on the spending patterns and financial practices of youth in Vadodara City. The study is significant as it will provide insights into the impact

of cashless payment adoption on the financial behavior of youth, which can help policymakers and financial institutions to design effective strategies to promote cashless payments.

3. Scope of The Study:

The study will focus on the youth population of Vadodara City who have adopted cashless payment methods. The study will cover the spending patterns and financial practices of youth before and after the adoption of cashless payment methods.

4. Data Collection:

The study will use primary data collected through a survey questionnaire. The sampling technique will be purposive sampling, and the sample size will be determined based on the number of youths who have adopted cashless payment methods in Vadodara City.

5. Research Gap:

Although, there are some studies on the digital payment methods adoption in India, there is very little research available on the effect of moving towards the cashless payment methods on the consumption behaviour and financial practices between the young people from 18-25 age group in Vadodara City.

6. Objectives of the study:

Objective 1: Explore the Factors Influencing Youngsters' Adoption of Cashless Payment Methods

Look into the main factors that lead to young people preferring cashless payment methods to conventional cash transactions. Determine the primary factors influencing their choice to use a certain type of cashless payment system, such as mobile payment apps, contactless cards, or online payment platforms. Examine how peer pressure, security, accessibility, and perceived benefits influenced their adoption behaviour.

Objective 2: Examine the Impact of Cashless Payment on Youngsters' Spending Habit

Investigate how the use of cashless payment options affects the spending and purchase behaviour of young people. Examine if cashless transactions promote sensible budgeting and expense tracking or enhance impulsive spending.

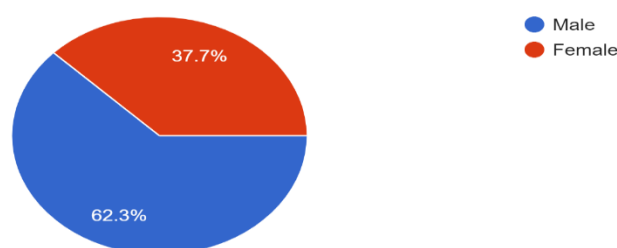
Objective 3: How Cashless Payments Affect Financial Practices of Youngsters

Examine how cashless transactions affect youngster's financial behaviours, such as their saving and investing habits. Examine whether the ease of cashless transactions promotes better long-term financial planning and financial literacy. Examine how young people's attitudes about money management and financial decision-making are influenced by digital financial tools and platforms.

DATA ANALYSIS

GENDER WISE CLASSIFICATION OF RESPONDENTS

Gender
114 respondents



62.3% of the respondents were male, 37.7% were female.

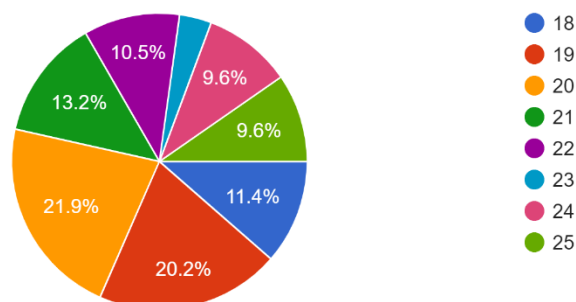
AGE WISE CLASSIFICATION OF RESPONDENTS

Age	No. of respondents	Percentage
18	13	11.4
19	23	20.2
20	25	21.9
21	15	13.2
22	12	10.5

23	4	3.5
24	11	9.6
25	11	9.6

Age

114 responses

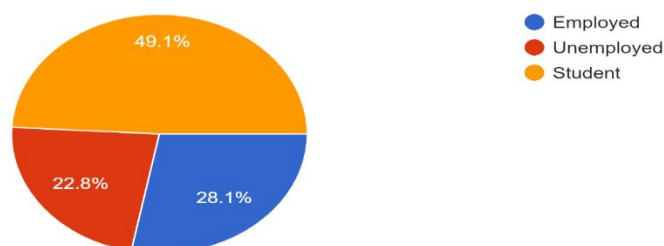


The highest number of respondents are in the age group of 20 with 25 respondents, which also forms the highest percentage of respondents 21.9%. The age group 19 and 21 also have a significant number of respondents with 23 and 15 respondents respectively forming 22% and 13.2% of total respondents respectively. The age group with fewer respondents age 23 with only four respondents forming 3.5% of total respondents. Generally, the decline in the number of respondents as age increased by beyond 21.

EMPLOYMENT STATUS

Employment status

114 responses

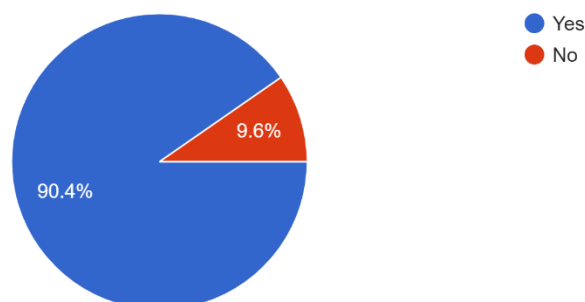


22.8% of the respondents were unemployed, 49.1% were student and 28.1% were employed.

CASHLESS PAYMENT METHOD USERS

Do you use cashless payment methods (e.g., mobile wallets, debit/credit cards) for your daily transactions?

114 responses

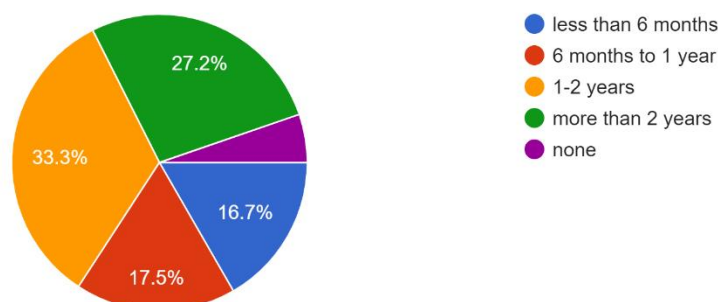


90.4% of the respondents were already using the cashless payment methods for doing transaction and 9.6% were not using to begin with.

CASHLESS PAYMENT METHODS USAGE TIME PERIOD

How long have you been using cashless payment methods?

114 responses



33.3% of the respondents have been using cashless payment methods for 1 to 2 years, 27.2% for more than 2 years, 17.5% for 6 months to 1 year, 16.7% for less than 6 months and 5.3% respondents were not using cashless payment method at all.

MOTIVE BEHIND ADOPTING CASHLESS PAYMENT

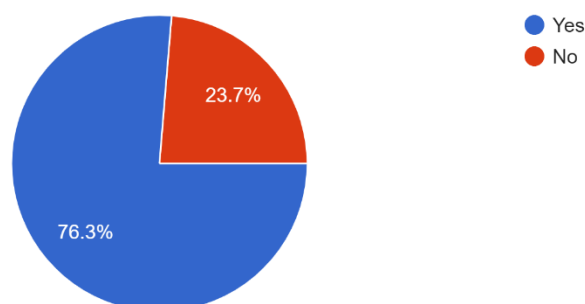
Security	52
Convenience	73
Peer influence	16
Government initiative	18
Cashback and rewards	31

The motive behind the cash less payment method adoption for youngsters are security, convenience, peer influence, government initiative , cashback and rewards.

CASHLESS PAYMENT METHODS IMPACT ON SPENDING HABITS.

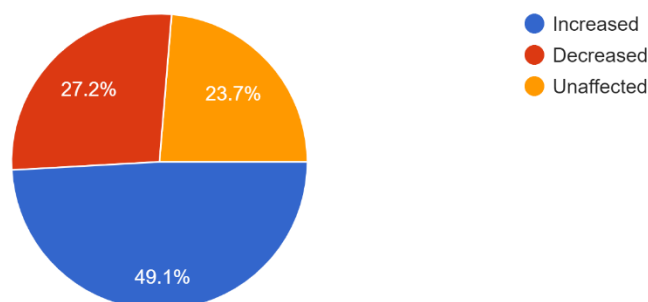
Has the adoption of cashless payments affected your spending habits?

114 responses



If yes, please describe how it has influenced your spending patterns?

114 responses



76.3% of the respondents' spending pattern was affected by the using cashless payment methods out of which 27.2% of the respondents reported of decrease in spending behaviour were as 49.1% reported increased in spending behaviour. The remaining 23.7% had no effect on their spending behaviour.

BUDGET MAINTENANCE

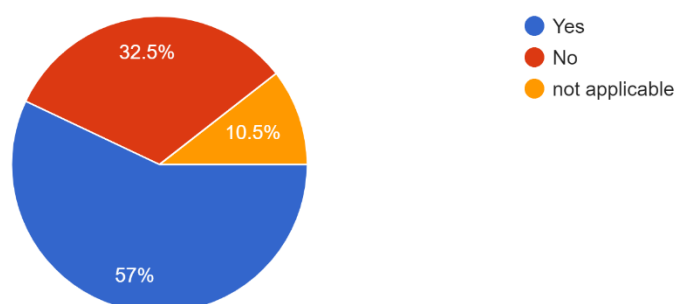
Opinion	Yes	No
More challenging	31	10
Easier	49	0
No impact	13	0
Total	93	10

For the people who track their expenses and maintain budget are 93 out of which 31 feels more challenging, 49 feels it easier and 13 have no impact whether they maintain the budget or not. The respondents not maintaining budget and tracking their expenses are 10 and feels more challenging to track their expenses.

INFLUENCE ON SAVING AND INVESTMENT DECISION

Has the adoption of cashless payments influenced your savings and investment decisions?

114 responses

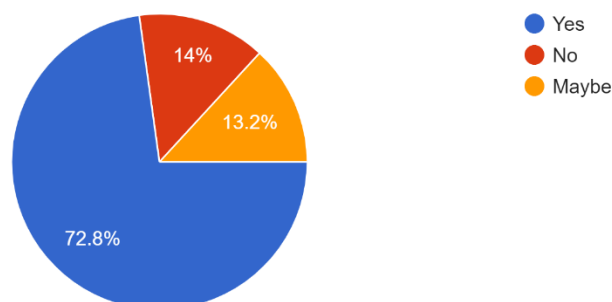


57% of the respondents felt that cashless payment adoption has influenced their savings and investment whereas 32.5% felt no change and for 10.5% is not applicable.

FINANCIAL LITERACY

Do you feel that using cashless payment methods has improved your financial literacy?

114 responses

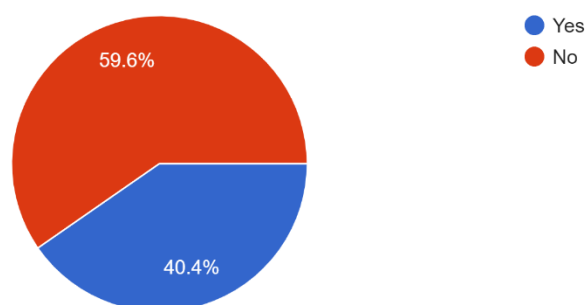


72.8% respondents feel they have improved their financial literacy by using cashless payment methods whereas 14% feel no improvement and 13.2% are not sure.

FINANCIAL EDUCATION PROGRAMS OR WORKSHOP

Have you participated in any financial education programs or workshops related to cashless payments?

114 responses



59.6% of the respondents have not enrolled in any kind of financial education programs or workshops related to cashless payments and 40.4% respondent did participate in financial education programs or workshops.

MOST USED CASHLESS PAYMENT METHOD

Modes for payment	No. of users
Mobile Wallets	17
Online banking	29
UPI	78
Debit cards	36
Credit cards	14

The most used cashless payment method for payment is 78 following debit cards with 36, online banking with 29, mobile wallets with 17 and credit cards with 14 users.

ONE WAY ANOVA TEST (AGE AND FINANCIAL HABITS)

ANOVA						
Source of Variation	SS	df	MS	F	P-value	F crit
Between Groups	19531.86	1	19531.86	7308.28	5.6E-173	3.883308
Within Groups	598.6549	224	2.672566			
Total	20130.52	225				

This supports the notion presented in the hypothesis that cashless transactions contribute to improved long-term financial planning, enhanced financial literacy, and a proactive approach to financial well-being among

young people. The results reject the null hypothesis based on the low p-value and significant F-ratio. There is considerable evidence that cashless transactions positively benefit young people's financial behaviours, especially their saving and investing habits. This gives acceptance to the hypothesis that cashless transactions help young people improve their long-term financial planning, financial literacy, and take a proactive approach to their financial well-being.

ONE WAY ANOVA TEST (AGE AND SPENDING PATTERNS)

ANOVA						
Source of Variation	SS	df	MS	F	P-value	F crit
Between Groups	17540.18	1	17540.18	6085.879	2.2884E-164	3.883308
Within Groups	645.5929	224	2.882111			
Total	18185.77	225				

Given a low p-value and a very significant F-ratio, we reject the null hypothesis. This suggests that cashless payment methods have a substantial influence on youngsters' spending patterns. This supports the hypothesis that the influence of cashless payment option on youngsters' spending patterns is not uniform; it might have a mixed effect, potentially both beneficial (better expenditure tracking) and bad (more impulsive spending).

OUTCOMES/FINDINGS

Gender distribution of respondents: 62.3% were male, 37.7% were female. Respondents are classified by age: The age group of 20 has the most respondents (25), accounting for 21.9% of all respondents. The age groups 19 and 21 also have a significant number of respondents, with 23 and 15 respondents, accounting for 22% and 13.2% of total respondents, respectively. The age group with the fewest respondents is 23, with only four respondents accounting for 3.5% of the total number of respondents.

Employment status: 22.8% of respondents were jobless, 49.1% were students, and 28.1% were employee. Cashless payment method users: 90.4% of respondents were already utilising cashless payment methods for transactions. Time period for utilising cashless payment methods: 33.3% of respondents used cashless payment methods for 1 to 2 years, 27.2% for more than 2 years, 17.5% for 6 months to 1 year, 16.7% for less than 6 months, and 5.3% did not use cashless payment methods at all.

Reasons for embracing cashless payment: Security, convenience, peer influence, government effort, payback, and awards were the motivations for young people to use cashless payment. Cashless payment methods influence on spending habits: 76.3% of the respondents' spending pattern was affected by the usage cashless payment methods out of which 27.2% of the respondents reported of reduction in spending behaviour were as 49.1% reported increases in spending behaviour. The remaining 23.7% had no impact on their purchasing habits.

Budget maintenance: Of the 93 persons who track their costs and keep a budget, 31 find it more difficult, 49 find it simpler, and 13 have no influence on whether they maintain the budget or not.

Impact on saving and investment decisions: 57% of respondents said that cashless payment acceptance had an impact on their savings and investments, whereas 32.5% saw no change and 10.5% said it did not apply. Financial literacy: 72.8% of respondents believe that utilising cashless payment methods has increased their financial literacy, whereas 14% see no progress and 13.2% are unsure.

Financial education programmes or workshops: 59.6% of respondents did not attend any cashless payment-related financial education programmes or workshops, whereas 40.4% did. The most popular cashless payment options were UPI and debit cards

The findings from one-way ANOVA analyses support the hypothesis that cashless transactions have a substantial impact on young people's financial behaviours, including both their financial habits and spending patterns. Cashless transactions seem to contribute positively to financial literacy, long-term financial planning, saving, investing habits, and potentially more impulsive spending behaviour among youngsters.

CONCLUSION

In conclusion, the study provides valuable insights into the influence of cashless payment adoption on the spending patterns and financial practices of youth in Vadodara City. The findings suggest that the adoption of cashless payment methods has had a mixed impact on spending patterns and financial practices, with no clear trend emerging. The study highlights the need for further research to better understand the factors that

influence the adoption of cashless payment methods and to develop effective strategies to promote their adoption among youth in Vadodara City.

ANNEXURE

Question	Answer Choices
1. Name	
2. Age	
3. Gender	Male, Female, Other
4. Education Level	High School Graduate, Postgraduate, None of the above
5. Employment Status	Employed, Unemployed, Student
6. Income per annum	Open ended
7. Do you use cashless payment methods for your daily transactions?	Yes, No
8. If yes, which cashless payment methods do you primarily use?	Mobile Wallets, Debit cards, Credit cards, UPI, Online banking, None, Other
9. How long have you been using cashless payment methods?	Less than 6 months, 6 months to 1 year, 1-2 years, More than 2 years, None
10. What motivated you to adopt cashless payment methods?	Convenience, Security, Cashback/Rewards, Peer influence, Government initiatives, Other
11. Has the adoption of cashless payments affected your spending habits?	Yes, No
12. If yes, please describe how it has influenced your spending patterns	Increased spending, Decreased spending, Unaffected
13. Types of purchases that have increased your spending	Open ended
14. Do you maintain a budget for your monthly expenses?	Yes, No
15. Has the use of cashless payments made it easier or more challenging for you to stick to your budget?	Easier, More challenging, No impact
16. Do you actively track your expenses through apps or software?	Yes, No
17. How do you manage your savings and investments, if applicable?	Bank saving accounts, Fixed deposits, Mutual funds, Stock market, Other
18. Has the adoption of cashless payments influenced your savings and investment decisions?	Yes, No, Not applicable
19. If yes, please describe how it has influenced your savings and investment decisions	Increased spending, Decreased spending, Unaffected
20. Do you feel that using cashless payment methods has improved your financial literacy?	Yes, No, Maybe
21. Have you participated in any financial education programs or workshops related to cashless payments?	Yes, No
22. What improvements or features do you think would make cashless payments more beneficial for young users like yourself?	Open ended

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