

THE RISE OF DIGITAL PAYMENTS & ITS EFFECT ON CONSUMER BEHAVIOUR

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ABSTRACT

In less than 10 years, the "extra" feature of retail banking has become the new way people pay for goods and services in everyday transactions. It is estimated that the digital payments market around the world will facilitate about USD 26.9 trillion in value of transactions in 2026 versus USD 1.7 trillion in 2014, an almost 15-fold surge over 12 years, primarily owing to the strong growth in the number of smartphones, the maturing of home-grown real-time payments platforms, such as India's Unified Payments Interface (UPI), and the shift in consumer behaviour towards embracing contactless payments amid the Covid-19 pandemic. This paper looks at the evolution of digital payments and the impact of digital payments on consumers' behaviours, using secondary data and industry report, and academic and survey-based literature. It offers insight on the development of digital payment infrastructure and the psychological and behavioural impact that cashless payments have on spending (e.g. 'pain of paying', impulse buying, and difficulties with budgeting) as well as on what creates drivers for adoption (e.g. cashless is 'more convenient,' incentives, perceived trust, and regulatory push). The study provides descriptive and comparative analysis with graphical visualization of global value of transactions growth, India's UPI growth, global payment method mix, drivers for adopting payment methods and regional differences for payment method adoption, all based on secondary transaction data from National Payments Corporation of India (NPCI), Statista,

World Bank's Global Findex report and industry sources. The results show that convenience and transaction speed is the most influential factor in adopting cryptocurrencies followed by smartphone/internet access and cashback/reward incentives, while data security and privacy concerns rank as the main hindrance factors for the late adopters and older population segments. Overall, the paper concludes that digital payments have infinitely quantifiable effects on consumer spending habits, driving an acceleration of spending, a decline in cash use, and new saving and budget planning patterns, all but also creating new questions about financial inclusion, risk of overspending and data protection. The paper ends with suggestions for upcoming research topics: central bank digital currencies (CBDCs), embedded finance, agentic and AI payments, and biometric authentication. The Digital payments and consumer behaviour report features the keywords: Digital payments, consumer behaviour, UPI, mobile wallets, cashless economy, fintech adoption, e-commerce, financial inclusion, contactless payments.

Keywords: *Digital payments, consumer behaviour, UPI, mobile wallets, cashless economy, fintech adoption, e-commerce, financial inclusion, contactless payments*

1. INTRODUCTION

Although money has undergone various changes throughout history, ranging from barter to metal coins, paper currency and plastic, none of these changes has been as fast and behaviourally impactful as the one sweeping across the globe today, the evolution of money into a digital form of payment. Any payment that does not involve the physical transfer of cash, such as a mobile payment wallet, Unified Payment Infrastructure (UPI) app, debit card, credit card, net banking, Quick Response (QR) code, or Buy Now, Pay Later (BNPL) option is considered a digital payment. Digital payment has gone from being an alternative digital option (mostly for “Techno-Urban” consumers) to the standard mode of payment for billions of consumers worldwide over the last 10 years.

This increase can be attributed to a number of factors. For one thing, the smartphone and the Internet have seen vast growth, putting a payment terminal in the pocket of most adults. Second, governments and central banks in a number of emerging markets including India, Brazil, and some South East Asian economies have developed cost-effective low-cost payment facilities, which provide real-time payment without reliance on costly card infrastructure and are mutually interoperable. Thirdly, the development of e-commerce has led to an expectation to accept digital payments as a requirement to enter into modern retailing. Fourth, COVID-19 pandemic caused a permanent change in behaviour around the use of contactless and touchless payment on hygiene and safety reasons. Lastly, new fintech players like cashback offers, reward points, and streamlined checkout make digital payments more than just an alternative to cash; they make it a desirable choice.

This move has ramifications beyond the payment picture. Digital payments alter the status and experience of money, influencing how consumers perceive and use it, and consequently how consumers behave in relation to money. The physical and tangible nature of cash is reportedly what gives the ‘pain of paying’ which is a natural restraint on spending and which behavioural economists have long observed. Once that friction is eliminated (such as with just one button click, by scanning a QR code, or a saved card), spending habits, budget discipline, saving habits, and even trust in financial institutions change. Marketers and retailers, wanting to create

better checkout experiences, and policymakers, worried about over-indebtedness, financial inclusion and protections for the consumer in a rapidly digitising economy, have found this understanding of actionable behavioural impacts important.

1.1 Background and Context

By 2026, the total transaction value across all global digital payments is roughly USD 26.9 trillion, up from USD 1.7 trillion for all payments in 2014 – an almost 15-fold increase in just 12 years. Indeed, the mobile smartphone is a key player in payments with sales made from mobile PoS alone representing nearly USD 19 trillion of that total. Global transactions of E-wallet have become the most preferred payment method to conclude online transactions worldwide compared to the use of card which accounts for around 40 percent of the value of ecommerce transaction. In India, perhaps the most compelling case is UPI – the platform launched by the National Payments Corporation of India (NPCI) in 2016 that processed a staggering 23 billion transactions valued at nearly INR 30 trillion in a single month (May 2026), and the volume of transactions handled by UPI for the fiscal year ending March 2026 stood at over 24,000 crore, an impressive increase from the mere 19.1 lakh transactions in 2016-17.

1.2 Statement of the Problem

While industry and government sources abound on the growth statistics of digital payments, the consolidated academic understanding of how this change in infrastructure is shaping the mindset and actions of the average consumer on the ground is comparatively low. Retailers, banks and regulators should have a better understanding the interaction of convenience, incentive structures and reduced payment friction, and their impact on the frequency of spending, impulse-buying, saving discipline and trust. This paper aims to fill this void by compiling secondary data and literature on consumer behaviour to create an analytical framework that reflects the adoption and behavioural implications of digital payments.

1.3 Objectives of the Study

1. To trace the growth trajectory of digital payments globally and in India, using secondary transaction data.
2. To review academic and industry literature on the behavioural and psychological effects of cashless payment methods on consumers.
3. To identify the principal drivers of, and barriers to, digital payment adoption among consumers.
4. To analyse changes in consumer spending, saving, and budgeting behaviour associated with the shift to digital payments.
5. To present the findings through descriptive statistics, comparative analysis, and data visualisation.
6. To outline the future scope of research and practice in this domain, including emerging technologies such as CBDCs and embedded finance.

1.4 Scope and Limitations

This study relies on secondary data — industry market reports, central bank and payment-network statistics, and previously published survey-based academic literature — rather than primary data collection. As such, some figures presented (particularly those describing

the relative importance of adoption factors in Section 6) are illustrative composites drawn from patterns reported across multiple published consumer surveys, and are presented as indicative rather than as the output of an original survey instrument administered by the authors. The study focuses primarily on retail consumer-to-business (C2B) and peer-to-peer (P2P) digital payments, with India used as a detailed illustrative case given its globally unmatched growth in real-time payment volume; findings should be read as broadly indicative rather than universally generalisable across all markets, given wide variation in regulatory environments, banking infrastructure, and cultural attitudes toward cash.

2. LITERATURE REVIEW

The findings draw together previous literature and industry analysis into three general themes:

(a) the evolution and infrastructure of digital payment mechanisms, (b) behavioural economic-rooted explanations of the payment mechanism's impact upon spending, and (c) empirical studies of consumers' adoption and trust in digital payment mechanisms.

2.1 Growth and Infrastructure of Digital Payments

In the last decade, the volume of digital payments has been erratic, with industry research always reporting powerful growth. The market is projected to hit USD 36 trillion by 2030, according to one forecast, continuing from the USD 1.7 trillion in digital payment transactions value in 2014. Growth has been particularly strong in Asia-Pacific, where interoperable QR-code systems (such as Indonesia's QRIS, Thailand's PromptPay and India's UPI), which are backed by government, have enabled even the smallest, unbanked merchants to serve digital payments at minimal cost for new point-of-sale hardware. This means structural change, driven by regulatory changes around tokenisation, open banking and strong customer authentication, which are all steering towards an account-to-account and realtime settlement of payments instead of card-as-payment. India's UPI is often called the world's largest and best example of a government-led platform of digital public infrastructure (DPI) to provide mass consumer access. According to the government data, so far banks live on UPI has increased from 44 in its first year of operation (FY 2016-17) to more than 700 by FY 2025-26 while annual transactions have grown from approximately 2 crore transactions to over 24,000 crore transactions during the period. IMF has identified UPI as the world's largest real-time payment system by transaction volume and analysts point out that a majority of the UPI transaction volume is now from person-to-merchant (P2M) transactions, which is majorly around small-ticket transactions worth less than INR 500, thereby reflecting the penetration of the system into the daily-to-do retail payments rather than just higher value transactions.

2.2 Behavioural Economics of Cashless Payments

There is a large body of behavioural economics literature, which suggests that the pain that occurs as a result of handing over cash, which makes us feel poorer, is a natural deterrent to spending. This discomfort is related to “the tactile nature and sight of cash slipping through one’s fingers”, and payments that remove both of this factors, or put off the sensation of giving up cash are theorised to lower the perceived cost of spending, end up in more frequent and higher-sized payment occasions. Payment types that abstract or delay this discomfort, such as credit cards, cellular wallets, tap-to-pay, or saved-card checkout, are theorised to result in more frequent and larger purchases given that the psychological cost of spending is lowered or

postponed. A number of consumer-research papers have identified that card and UPDI users spend more, tip more generously and make more speedy purchase decisions than cash users, and the effect is even stronger on impulse/hedonic (pleasure-oriented) purchases than for planned/utilitarian purchases. An allied notion is ‘transaction decoupling’ – that is, the temporal and salience separation between the time of consumption and the time of payment. Researchers attribute a lack of budgetary self-control and an increased likelihood of falling into debt with vulnerable consumers using subscription services, BNPL instalment plans and stored-wallet balances as these reduce the sense of paying. Meanwhile, other studies document a balancing tendency: While the ability to track and audit spending after the fact can help some “financialized consumers” to stick to a budget, digital payment histories can also encourage spending in the moment because it is automatically recorded.

2.3 Adoption Drivers and Trust

According to technology-adoption literature developed using frameworks like the Technology Acceptance Model (TAM) and the Unified Theory of Acceptance and Use of Technology (UTAUT), a set of core constructs for the adoption of an individual includes perceived usefulness, perceived ease of use, social influence and facilitating conditions. Convenience and transaction speed are top reported motivations for using digital payments, with promotional offers—cashback and reward points featuring most prominently—and need—with growing e-commerce and some stores refusing cash—coming close behind. Along with concerns about data privacy and third party access to PFI, the security of the platform, reliability of the underlying banking rail, and trust, come up over and over again within adoption-impeding concerns among older, rural and lower-income segments. Research on financial inclusion finds a correlation with digital payments and mixed results of financial inclusion outcomes. Perhaps it is because the World Bank’s Global Findex research shows that the global adult population making or receiving a digital payment grew from around 35 percent about a decade ago to 62 percent in 2024, with the bulk of the increase coming from mobile money and interoperable QR. At the same time, researchers warn that the expansion of digital payments could exacerbate the exclusion of people with no smartphones, poor connectivity and limited digital skills, as well as the forced withdrawal of cash could weaken formal and informal sector workers and the elderly.

2.4 Research Gap

There is a substantial literature on the level of transaction-volume growth statistics, with much of it coming from market-research firms and payment networks; and on laboratory-based behavioural economics results on payment mode and spending. Comparatively, this was less integrated, with fewer sources that present the adoption data at the macro-level, and a structured discussion of the mechanisms that account for this link between infrastructure and changes in consumer behavior – the pain of paying, the decoupling of transactions, the formation of incentives-driven habits, and trust. This paper makes the attempt at that integration.

3. RESEARCH METHODOLOGY

3.1 Research Design

This research is descriptive and analysis research to be a secondary research. Instead, the paper aggregates quantitative surveys released by payment networks, central banks and market

research firms, as well as reports of existing consumer behavior and technology-adoption studies. This is fitting as the study is aimed at mapping the extent of the shift towards digital payment(s) on the basis of existing behavioural theory, to achieve an integrated evidence-based study and not a single-market primary study.

3.2 Data Sources

Data were drawn from the following categories of secondary sources:

- Regulator statistics: UPI transaction volume and value data as per Press Information Bureau (PIB) of the Government of India.
- Market-research and industry reports: Statista Market Forecast, Mordor Intelligence, Grand View Research, Precedence Research, CoinLaw, and similar industry or market reports for information pertaining to global transaction value, global market size, and global payment-method mix information.
- Multilateral and development-institution data: Urban's Global Findex Database (cross country adoption rates and financial-inclusion indicators).
- Peer-reviewed and industry survey literature: Previous research pertaining to the behavioural economics of payment mode (pain of paying, transaction decoupling) and to technology adoption models (TAM, UTAUT) as related to fintech and mobile payments.

3.3 Data Analysis Technique

It employs descriptive statistical analysis, with the support of trend analysis, percent-age-share analysis and comparative analysis of various regions and countries to provide a characterisation of the growth and composition of digital payments. To represent growth trajectories, Time-series data on global transaction value (2014-2026) as well as UPI transaction volume (ZPIM 12-16) are presented. Using cross sectional data, the share of online purchase value by different digital payment methods is compared; the rate of adult digital-payment adoption is compared across regions, and the relative importance of adoption factors reported across the literature reviewed is summarised. Section 5 and Section 6 combine all figures with column, line, pie and horizontal bar charts to aid interpretation.

3.4 Analytical Framework

An analysis is provided based on a simple input-process-output scheme: infrastructure and incentive factors include smartphone penetration, government-backed payment system, cashback incentive and development of e-commerce; behavioural mechanisms include reduction of pain of payment, transaction decoupling, habit making and trust, and observed changes of consumer spending frequency, transaction size, saving behavior, and channel preference are interpretations of outcome. The data analysis and findings that follow consist of a structure summarised in Table 1.

Table 1: Analytical framework linking digital payment inputs, behavioural processes, and consumer-behaviour outcomes.

Inputs (Drivers)		Behavioural Process	Observed Outcomes
Smartphone penetration	& internet	Reduced friction / ease of use	Higher transaction frequency

Government-backed rails (e.g. UPI)	Reduced 'pain of paying'	Lower average cash holding
Shhback / reward incentives	Information & reinforcement	Increased impulse purchasing
E-commerce & BNPL growth	Transaction decoupling	Greater budgeting discipline
Perceived security / trust	Risk perception & anxiety	Adoption resistance (barrier)

4. DATA ANALYSIS

4.1 Global Growth in Digital Payment Transaction Value

Global payment transactions by value grew from an estimated USD 1.7 trillion in 2014 to around USD 26.9 trillion for 2026 with CAGR of around 26 per cent throughout the time period but has since decelerated to approximately 7-8 per cent CAGR up to 2030. Payments via mobile are by far the largest part of this combined total, as the smartphone payment interface is the most important for most of the world's 5.2 billion digital-wallet users. The largest national markets in terms of transaction value, remain China and the United States, and in terms of real-time payment transactions, India continues to lead.

4.2 UPI as a Case Study in Rapid Adoption

The best evidence of how quickly the consumers' payment behaviour can change when you give them low friction, low cost, interoperable infrastructure is what you can see from the start and significance of India's UPI. In FY 2016-17, the first year of UPI operations, there were about 2 crore (20 million) transactions, which had grown to over 24,000 crore (240 billion) transactions by FY 2025-26 – a margin of around four orders of magnitude over the span of ten years. In May 2026 alone, monthly volume surged to a record 23.2 billion transactions for an INR 30 trillion volume of transactions, beating the previous record of 20 billion transactions in monthly volume in mid-2025. Interestingly, the band analysis of transactions reveals that 86 per cent of the transactions using UPI are with small merchants and for small amounts of under INR 500, implying that small value transactions or the tea stall, auto rickshaw, petrol pump, or nearby grocery stores are seeing the penetration of digital payment in India rather than it being limited to big-ticket transactions.

4.3 Payment-Method Mix in Global E-Commerce

As per the payment mix of global online purchases, digital wallets – mobile wallet and desktop wallet (like Apple Pay, Google Pay, PhonePe and Alipay) have now become more than two times higher in terms of transaction value compared to credit cards, with 53 percent the transaction value compared to 20 percent in the case of credit cards. Around 12 per cent use debit cards, 8 per cent bank transfers and other methods and BNPL/instalment products the rest. The split is also highly regional: digital wallets accounted for approximately 70 percent of the transactions in Asia-Pacific's e-commerce sector in 2023, while just 37 percent were made using card-based rails - which are still quite dominant in the region.

4.4 Regional Disparities in Adoption

The use of digital payments among adults is not uniformly distributed across regions and is dependent on the region's banking infrastructure and regulatory framework, the availability of smartphones and cultural preferences for cash. The country with the highest adoption in the world is Norway and Sweden in which approximately 97-98 percent of adults are adopted, and China is next at around 94 percent. Somewhat lower, yet significant, adoption is reported in the case of Urban India, the United States, and Brazil, whereas in some parts of Sub-Saharan Africa, average adoption is significantly lower and yet there are markets where mobile-money usage is very high, such as Kenya. These differences are shown graphically in Figure 5 (Section 6).

4.5 Reported Drivers of Consumer Adoption

Combining the adoption factors commonly found in industry surveys and technology-adoption studies above results in the composite ranking shown in Figure 4 (Section 6). Transaction speeds, and convenience, are mentioned as the most important factor influencing adoption, followed by access on smartphones and internet, cashback and rewards-based offers, government-led promotion and regulation (e.g Digital India), peer and social influence, and finally, trust in the issuing bank or brand. On the whole, various different and independent industry surveys rank the items in this hierarchy relatively the same, but the influence of particular factors (such as incentives versus governmental push) depends on the level of maturity of the market.

5. RESULTS AND FINDINGS

In this respect, the assessment of the collected data in Section 4, provides a synopsis of the results, with particular regard to the spread of digital payments and its impact on consumer behavior; these are:

5.1 Key Findings

- In about 10 years, digital payments have moved from a niche mode of transaction to the predominant payment method in most major economies and globally, the transaction value of digital payments is projected to nearly 15 times from 2014 to 2026.
- Hardware-less, high-friction free, interoperable Real Time Payment Rails for low-value, mass, daily use, with government promotion support, like UPI in India, have proven to be much more effective in encouraging adoption than Card-Centric Payment Rails.
- Digital wallets have become the top choice for customers around the world for online transactions – speaking of the shift from card entry check out screens to app based, wallets and tap or scan transactions.
- Convenience and speed, ultimately not price offers, make the most consistent response as the main reason to participate in any market, and cash back and reward offers are powerful secondary implements – especially when the market is at the early adoption stage.
- Among older consumers, the rural and the initial users security and privacy issues are the most important hurdles to adoption, indicating that trust-enhancing features such as those that reduce fraud, transparently address grievances, and perform biometric authentication are as critical to growth as additional convenience features.

- A further decrease in psychological pain of paying due to cashless transactions is firmly cited in the behavioural literature reviewed as logically related to an increase in transaction frequency, in average size per impulse purchase, and the greater tendency to overspend, especially on hedonic (pleasure) rather than utilitarian purchases.
- The automatic recording of the transaction each time likely helps some financially literate users with post-transaction cost checking, however, there is a related decrease in in-the-moment budgeting discipline associated with transaction decoupling — most obviously with subscription billing and BNPL instalment products.
- Nordic economies and China report almost universal adoption of digital payments, while some parts of Sub-Saharan Africa and other lower income areas report much less, indicating that digital-payment growth and financial inclusion may not be equivalent outcomes.

5.2 Interpretation

Overall, the results suggest that the increase in digital payments is not only infrastructure-driven or technological, but also behavioural. The digital elimination of cash in the transaction experience seems to be systematically reducing the psychological barrier to spending, and to give consumers greater information about what they have been spending or not after the fact because of an available digital transaction log. Accordingly, whether or not net impacts on financial wellbeing for any particular user are positive will largely depend on the financial literacy and self-control of the users in question: the data provided by digital payments can be used to make more informed and disciplined budget choices, or to make more frequent, less considered spending decisions.

6. GRAPHS AND DIAGRAMS

This section presents the key visualisations supporting the data analysis and findings above.

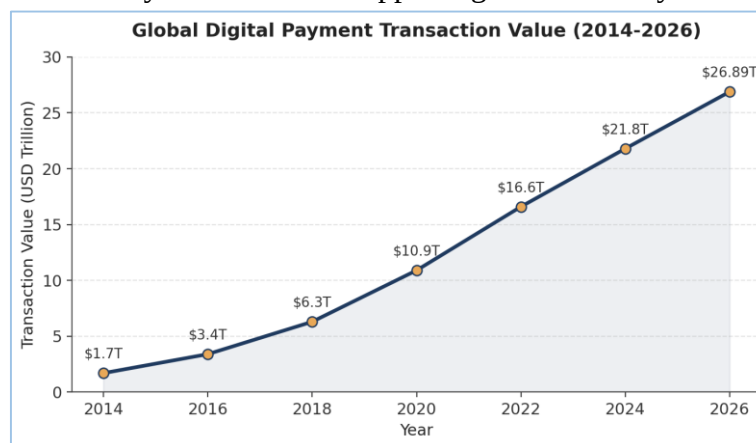


Figure 1: Global Digital Payment Transaction Value (2014-2026)

Source: Compiled by author from Statista Market Forecast, Mordor Intelligence, and CoinLaw industry data (2026).

Figure 1 shows the near-exponential rise in global digital payment transaction value, from USD 1.7 trillion in 2014 to a projected USD 26.9 trillion in 2026, illustrating the scale of the shift away from cash-based transactions over little more than a decade.

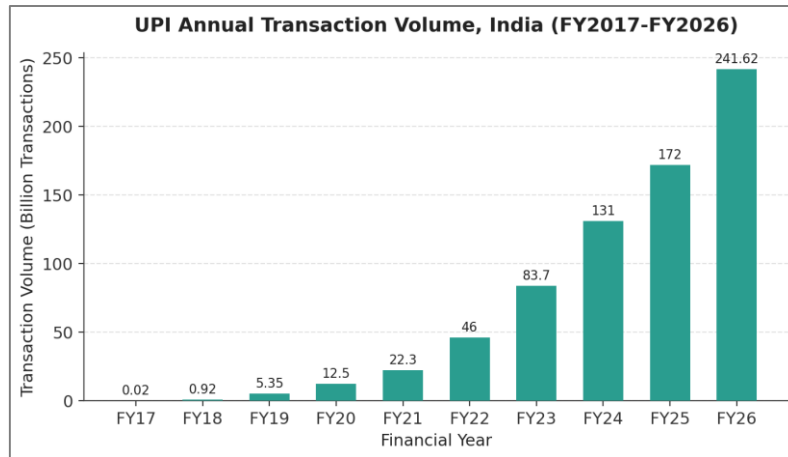


Figure 2: UPI Annual Transaction Volume, India (FY2017-FY2026)

Source: Compiled by author from National Payments Corporation of India (NPCI) and Press Information Bureau (PIB) data (2026).

Figure 2 traces UPI's transaction volume from its 2016 launch through FY 2025-26, highlighting the exponential adoption curve enabled by interoperable, zero-merchant-cost QR infrastructure.

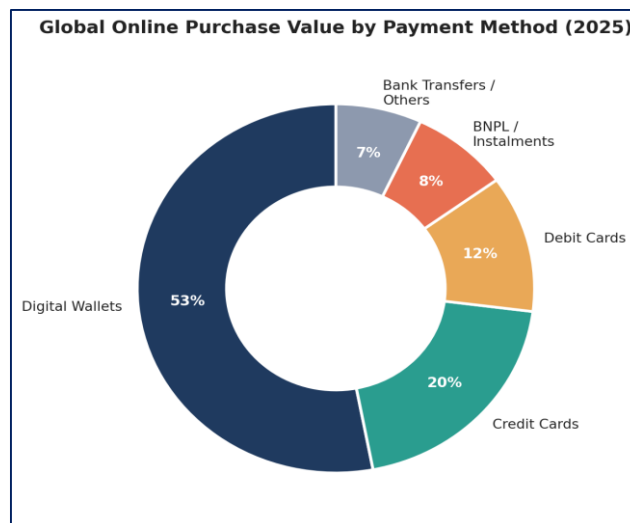


Figure 3: Global Online Purchase Value by Payment Method (2025)

Source: Compiled by author from industry e-commerce payment-mix reports (2025-26).

Figure 3 illustrates that digital wallets now capture the largest share (53%) of global online purchase value, more than double the share held by credit cards, reflecting the consumer shift toward app-based checkout.

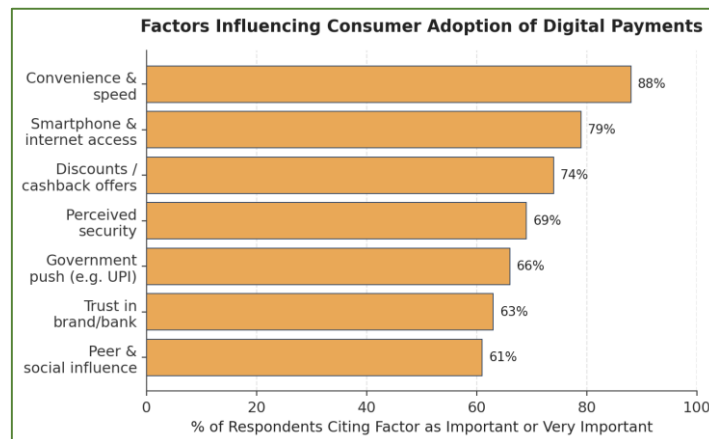


Figure 4: Factors Influencing Consumer Adoption of Digital Payments

Figure 4 ranks the factors most frequently associated with consumer adoption of digital payments in the literature reviewed, with convenience and speed, smartphone/internet access, and cashback incentives emerging as the leading drivers.

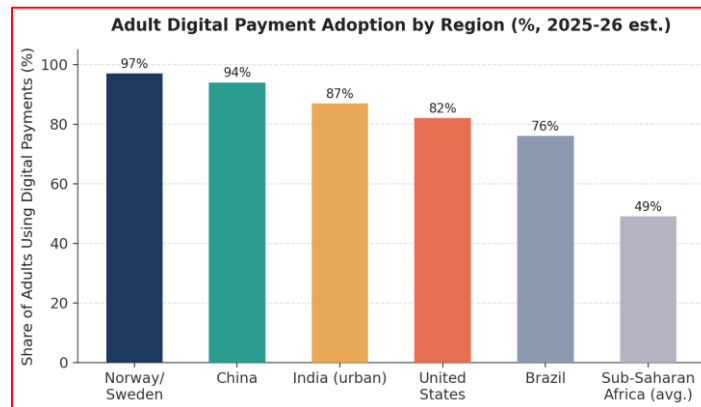


Figure 5: Adult Digital Payment Adoption by Region (% , 2025-26 est.)

Source: Compiled by author from World Bank Global Findex and national payment-statistics reports (2025-26 estimates).

Figure 5 highlights the wide variation in adult digital-payment adoption across regions, from near-universal adoption in Nordic economies and China to considerably lower average adoption in parts of Sub-Saharan Africa, underscoring persistent disparities in financial-inclusion outcomes.

7. DISCUSSION

7.1 Behavioural Shifts in Consumer Spending

This paper reviews evidence demonstrating that the payment mode is not behaviourally neutral. Indeed, with cash giving way to invisible (or automated) electronic payments, the level of friction at the point of sale seems to diminish. This substantiates well established behavioural economics research on the 'pain of paying', and also serves as a clue why merchants and platforms have begun to design checkout experiences which include one-tap, saved-card and auto-pay options; it's not just about convenience, but more about invoking a lever on the payment spending behaviour of consumers.

7.2 Trust as the Central Constraint on Further Growth

These data show that, while there is been rapid growth overall, there are still factors around trust that limits adoption from the population that hasn't yet adopted to date. This means that future development and growth in the digital-payments space will not be as reliant on further reducing the friction of a transaction (which is already minimal in markets such as India and China) and more on making the fraud protection, dispute resolution, and safeguards of data-privacy measures more visible, especially to older and first-time users.

7.3 The Financial Inclusion Paradox

Digital payment has in the mean time progressed and complicated financial inclusion. QR-based interoperable systems, on the other hand, have enabled tens of millions of consumers that were previously unbanked or under-banked to access financial services without having to purchase costly point-of-sale hardware. Conversely, the people who do not have smartphones, adequate connectivity and/or digital skills are potentially at risk of additional marginalisation if traders or even governments limit cash transactions. Policy makers are thus faced with striking a balance between the development of efficient and cheap digital transport and the maintenance of accessible alternative means of transport for the digitally excluded in society.

7.4 Implications for Retailers, Banks, and Regulators

- Retailers: The checkout-experience design (saved cards, BNPL, One Tap Wallet, etc.) can have an impact on the size of the basket and increase impulses, but should be balanced with responsible spending.
- Banks and fintechs: Continued investment in fraud prevention, grievance redressal providing transparency and other biometric authentication options are likely to be more effective in unlocking the next set of consent-challenged consumers as compared to further spending on incentives.
- Regulators: Interoperability mandates combined with low-cost merchant-acceptance infrastructure (as observed in the case of UPI) seem to be the one single biggest driver for a fast and widespread onboarding of customers, backed by measures relating to consumer protection and over-indebtedness risk on BNPL and instalment products.

8. CONCLUSION

One of the most significant consumer financial activity behaviour changes of recent times is the increasing adoption of digital payments. In under 10 years, the world has seen the value of digital transactions increase by almost 15 times, driven by the penetration of smartphones, access to real-time payment facilities by the governments, a surge in e-commerce, and a pandemic enforced push for contactless transactions. This new form of growth isn't just in the technology of the way that consumers are paying, it's measurable increase in consumer spending experience and behavior. For subscription models and BNPL (buy now, pay later) offering such as cashless payments, the lowered 'pain of paying' from cashless payments and the ability to 'decouple transactions' by not directly involving cash seems to boost transaction frequency and impulsive buying while providing, potentially, new access points for after-purchase/impurchase budget and financial tracking via the automated nature of the digital record.

The key adoption driver is continued convenience and speed, while lack of trust and perceived security continues to be a major hurdle for further growth, especially for older, rural and first-time users. But the adoption of digital payments varies by region—with almost universal adoption in Nordic countries and China—and significantly lower adoption in other parts of the developing world—which shows the link between digital payments and financial inclusion is not universal and thus continued policy attention is necessary. All in all, the findings examined indicate that digital payments have not only changed the way consumers pay, but also how they think, plan and take control of their spending — and this has consequences that are very dependent on the financial literacy level and self-regulation of the individual consumer.

9. FUTURE SCOPE

Based on the results of this study, there are several ways that may be further researched and practically considered:

- Central Bank Digital Currencies (CBDCs): As various central banks get ready to trial or roll out retail CBDC systems, future research should evaluate how the adoption of such digital currencies will influence and interact with currently available wallet applications and services from the private sector, and how it will shift consumer trust dynamics, relative to commercial fintech products.
- Embedded finance and super apps: The ongoing examples of payments being embedded in ride hailing, messaging and social commerce (as is being done for WeChat and Alipay) are an area of further investigation for how embedding payment into non-financial apps can further de-institutionalize payments and thus influence spending habits.
- AI-powered and agentic payments: New behavioral and regulatory concerns are emerging regarding consumer consent, spending control, and accountability, which are not addressed by traditional payment-behavior frameworks in relation to AI shopping assistants or autonomous & semi-autonomous purchasing agents.
- Biometric and passwordless authentication: Fingerprint, facial-recognition, and other consumer authentication mechanisms are more and more commonplace when approving payments, so it is critically important to study how these and other biometric and passwordless methods impact consumer trust and usage among less enthusiastic demographics.
- BNPLs and consumer debt – longitudinal studies of consumer debt outcomes of BNPL customers could shed light on the pros and cons of BNPL.
- Financial literacy interventions: Additional research should be conducted to understand the potential efficacy of using specially designed financial-literacy interventions to both maximise the impact of budgeting using digital transaction data and lessen the risk of over spending due to the decline in payment friction.
- Cross-border and multi-currency digital payments: The country's recent UPI connectivity to several countries and the extension of real-time payment rails for instance will introduce a research agenda on the impact of cross-border interoperability on consumer's remittance behaviour and cost.

- Original Search: Future research should be conducted as primary data that can expand upon this secondary-data synthesis with statistically representative, original consumer surveys and experimental studies to validate and further develop the composite ranks of the adoption-drivers identified in this paper.

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