

## A Study on Perception and Behavior of Consumers Towards Digital Financial Transactions

Shikha Dua<sup>1\*</sup>, Bhoomi Mittal<sup>2</sup>

### Abstract

*The rapid evolution of digital technology, coupled with increased smartphone usage and proactive governmental policies, has revolutionized the landscape of financial transactions. This study examines consumer perceptions and behavioral patterns related to digital payment systems, with a specific focus on usage trends, preferences, and concerns. Utilizing primary data collected through a structured survey of 110 respondents in North Delhi, the research reveals that digital transactions are predominantly perceived as convenient, swift, and efficient alternatives to conventional cash-based methods. The findings indicate that Unified Payments Interface (UPI) is the most preferred mode of transaction, followed by mobile banking, primarily due to their intuitive interfaces and real-time processing capabilities. Nevertheless, several concerns persist among users, notably those related to data security, privacy, and occasional technical disruptions. A substantial proportion of respondents expressed anxiety over potential transaction failures and data breaches. Furthermore, while younger users exhibit a higher propensity to adopt emerging payment technologies, such as biometric and voice-based authentication, barriers, including digital literacy deficits and distrust in system reliability, remain prevalent, particularly among older and less tech-savvy demographics. The shift highlighted the urgent need for robust and scalable digital infrastructure capable of supporting increased transaction volumes, ensuring security, and maintaining seamless user experiences during times of crisis. These insights offer valuable implications for policymakers, financial institutions, and technology developers aiming to foster inclusive and secure digital financial ecosystems.*

**Keywords:** Digital payments, consumer perception, financial technology, security concerns, digitalization

### INTRODUCTION

In the ever-evolving landscape of global finance, the transformation from traditional payment systems to digital modes of transaction has emerged as one of the most profound shifts in consumer behavior and technological adoption. The 21st century has witnessed an accelerated migration toward digital payment systems, fundamentally altering how individuals, businesses, and governments interact financially. This revolution, driven by rapid advancements in information technology, increased internet penetration, widespread smartphone usage, and proactive policy interventions, has not only improved transactional efficiency but also played a critical role in enhancing financial inclusion and transparency.

The focus of this study is to explore consumer perception regarding digital payment systems, uncovering the various benefits, concerns, and behavioral patterns that influence adoption across diverse demographic groups.

Digital payments refer to financial transactions that are carried out through electronic means without the need for physical exchange of currency. From debit and credit cards to mobile wallets, internet banking, and Unified Payments Interface (UPI), these platforms have enabled seamless, real-time transactions. India, in particular, has emerged

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as a frontrunner in embracing digital payment systems, catalyzed by groundbreaking initiatives such as Digital India, demonetization in 2016, and the proliferation of fintech platforms like Paytm, PhonePe, Google Pay, and BHIM. These tools have not only simplified monetary exchange but also created new consumer expectations in terms of speed, convenience, and security.

One of the primary drivers of digital payment adoption is convenience. In a fast-paced world where consumers expect services at their fingertips, digital payments offer an unmatched level of ease. The ability to transfer funds, pay utility bills, purchase products, and book services from a mobile device anytime and anywhere resonates particularly well with the urban population and the younger demographic. Moreover, the digitization of payments reduces the dependency on cash, lowers the cost of printing currency, and allows for better tracking of monetary flows, thereby reducing tax evasion and supporting transparent economic practices.

However, convenience alone does not guarantee widespread adoption. Consumer perception plays a vital role in determining the extent to which digital payment methods are accepted and trusted. This perception is shaped by a multitude of factors, including security concerns, ease of use, awareness, trust in the platform provider, past experiences, social influence, and regulatory support. For example, many consumers remain apprehensive about sharing financial data online due to the rising incidences of cybercrimes, frauds, and data breaches. Issues related to transaction failures, hidden charges, and lack of transparency also contribute to skepticism, especially among older adults and those residing in rural areas with limited digital literacy.

Historically, India's journey toward digital payments gained momentum post-2016, following the government's decision to demonetize ₹500 and ₹1000 currency notes. This bold move created an immediate necessity for alternative payment modes, prompting both businesses and consumers to shift toward digital platforms. During this period, mobile payment apps such as Paytm and PhonePe experienced exponential growth, capitalizing on the vacuum created by the temporary cash shortage. Government-backed platforms like BHIM (launched in December 2016) further cemented the foundation for digital financial infrastructure in the country, especially by promoting the Unified Payments Interface (UPI), a real-time payment system that facilitates interbank transactions.

Paytm, one of the earliest entrants in the Indian digital wallet space, was established in 2010 and has grown into a multifaceted platform offering e-commerce, ticketing, financial services, and banking. With over 350 million users, its success lies in its ability to integrate a wide array of services while maintaining accessibility across regional languages. PhonePe, launched in 2015, also runs on UPI and provides localized features and cash withdrawal services like "PhonePe ATM", making it particularly popular among semi-urban and rural users. Google Pay, introduced globally in 2015 and later adapted for Indian users, offers secure, intuitive payment solutions using fingerprint authentication and QR scanning. These platforms, along with others like Freecharge and Mobikwik, have transformed the digital payments ecosystem by emphasizing user-friendliness, security, and scalability.

BHIM, developed by the National Payments Corporation of India (NPCI), stands out as a government-led initiative that aims to provide a reliable and inclusive digital payment alternative. It has especially contributed to onboarding less tech-savvy users, thanks to its simplified interface and multilingual support. Similarly, the Aadhaar Enabled Payment System (AEPS) utilizes biometric verification, allowing even those without smartphones or internet access to conduct basic financial transactions through banking correspondents, paving the way for deeper financial inclusion. Despite these advances, certain challenges continue to hinder the widespread acceptance of digital payment systems. Among these are technical glitches, lack of digital infrastructure in remote regions, low digital literacy, and resistance to change, especially among older populations. Moreover, a significant proportion of consumers remain wary of digital payment platforms due to past experiences of failed transactions, identity theft, or delayed refunds. The Indian government's "Digital India" initiative,

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launched in 2015, plays a pivotal role in promoting a cashless economy. The initiative encompasses various policy measures aimed at expanding internet access, encouraging e-governance, and facilitating digital literacy across the country. In tandem with programs like the Pradhan Mantri Jan Dhan Yojana (PMJDY), which aims to provide every household with a bank account, the government's digital strategy seeks to bring every citizen into the formal financial fold. Additionally, regulatory bodies such as the Reserve Bank of India (RBI) and NPCI have implemented stringent guidelines to safeguard users against cyber fraud, reinforcing confidence in digital systems.

The evolution of digital payment systems has also impacted businesses significantly. From small retailers to large corporations, the ability to accept digital payments has opened up new avenues for customer engagement, revenue growth, and operational efficiency. Digital receipts, automated accounting, inventory management, and cash flow forecasting are some of the added benefits that businesses derive from digital integration. Moreover, digital payment data offers valuable insights into consumer behavior, enabling businesses to tailor marketing strategies and enhance customer experience.

At a societal level, the shift toward digital payments promises to enhance financial transparency, reduce corruption, and foster economic growth. It helps reduce dependence on the informal economy, encourages tax compliance, and contributes to a more accountable financial ecosystem. Furthermore, it empowers underbanked and underserved populations by offering them access to credit, insurance, and investment opportunities; services that were traditionally out of their reach. In conclusion, the rise of digital payment systems marks a transformative era in the way financial transactions are conducted in India. While consumer perception is largely favorable, key concerns related to security, trust, and accessibility must be addressed to ensure inclusive adoption. This research seeks to evaluate these perceptions in depth, offering insights that can help policymakers, businesses, and technology developers design better digital payment frameworks. As India stands at the cusp of a digital financial revolution, understanding and responding to consumer sentiment will be the cornerstone of a truly cashless and digitally empowered economy.

## LITERATURE REVIEW

- Bakar *et al.* [1] explored consumer perceptions of impulsive buying and the pain of payment in the context of e-commerce transactions using pay-later services, e-wallets, and cash-on-delivery. The study found that digital payment methods like e-wallets and pay-later options reduced the psychological pain of payment, thereby increasing impulsive buying behavior. In contrast, cash-on-delivery was associated with higher payment awareness and more controlled spending. Consumers perceived pay-later services as convenient but expressed concerns about overspending and financial discipline. The research concluded that payment methods significantly influenced consumer purchasing behavior in e-commerce.
- Tamrakar and Lakra [2] examined the adoption of Unified Payments Interface (UPI) in Chhattisgarh, focusing on user behavior and its impact on personal finance. The study found that users were increasingly adopting UPI due to its ease of use, speed, and accessibility. Factors such as smartphone penetration, internet availability, and promotional incentives contributed to this growth. The research also observed improved financial management and transaction transparency among users. However, concerns related to security and technical issues remained. The study concluded that UPI had positively influenced personal finance habits while highlighting the need for continued awareness and infrastructure development.
- Anil *et al.* [3] conducted a study to examine consumer preferences for UPI payments over traditional cash transactions. The research revealed that consumers preferred UPI due to its ease of use, instant transfer capability, and the convenience of cashless transactions. The younger demographic, in particular, showed a higher inclination toward UPI payments, driven by digital literacy and smartphone access. However, some respondents expressed concerns regarding transaction failures and security. The study concluded that with proper awareness and technological reliability, UPI has the potential to replace cash as the dominant payment method.

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- Kumar *et al.* [4] investigated young consumers' inclination toward using mobile wallets as a gateway for cashless payments. The study found that factors such as ease of use, speed, and promotional offers significantly influenced the adoption of mobile wallets among youth. It highlighted that trust, security, and user experience played a crucial role in shaping consumer preferences. The research also revealed that frequent smartphone usage and digital literacy contributed to the increased adoption of mobile wallets. Despite some concerns over data security, the overall attitude of young consumers remained positive. The study concluded that mobile wallets were becoming a preferred mode of digital payment among the younger demographic.
  - Mohd and Pal [5] examined consumer perception toward digital transactions in the context of India's transition from a cash-based to a cashless economy. It found that consumers largely viewed digital payments as convenient, time-saving, and efficient. The research highlighted increased adoption of digital modes, especially among urban and younger populations. However, concerns regarding security, technical issues, and lack of digital literacy were also noted. The study concluded that while the shift to digital payments was gaining momentum, overcoming trust and accessibility challenges was crucial for broader acceptance.
  - Sirisha and Anitha [6] explored consumer perception regarding the shift from a cash-based to a cashless economy under the Digital India initiative. It found that consumers generally had a positive outlook toward digital payments, appreciating their convenience and speed. The research indicated a rise in digital transaction usage, especially among educated and urban users. Despite this, concerns about data privacy, security, and internet accessibility persisted. The study emphasized the importance of improving digital infrastructure and awareness to support broader adoption. It concluded that building trust and ease of use were key to sustaining a cashless economy.
  - Ranjith *et al.* [7] conducted a study to understand consumers' perceptions of online and digital payments, particularly focusing on the safety of these transactions in a technologically connected world. The study highlighted the importance for marketers to comprehend consumer attitudes towards cashless modes of transaction. It was qualitative and relied on a review of existing literature to analyze the concept and evolution of digital transactions.
  - Husain [8] conducted a doctoral study to examine the paradigm shift in Indian consumer behavior with the rise of cashless transaction systems. The research revealed a significant move toward digital payments, driven by government initiatives, technological advancements, and changing consumer preferences. Consumers increasingly favored digital transactions for their convenience, speed, and transparency. However, the study also noted concerns related to cybersecurity, transaction failures, and digital illiteracy. It highlighted that while urban consumers adapted quickly, rural adoption remained limited. The study concluded that the sustained growth of cashless systems required improved digital literacy and robust security measures.
  - Eswaran [9] examined consumer perception toward digital payment modes, with a specific focus on digital wallets. The study aimed to understand the key drivers influencing user adoption, such as convenience, speed, promotional offers, and technological advancement. It found that younger consumers were more inclined to use digital wallets due to their familiarity with smartphones and digital platforms. However, issues like data privacy, transaction failures, and lack of awareness among older age groups remained significant barriers. The study emphasized the need for better security frameworks and user education to boost confidence and wider adoption.
  - Vally and Divya [10] conducted a study to examine consumer adoption of digital payments in India. The research highlighted that factors such as ease of use, convenience, and government initiatives like Digital India significantly influenced adoption rates. The study found that urban consumers, particularly the youth, were more inclined to use digital payment platforms. Security concerns and lack of awareness were noted as major barriers. The authors concluded that continued efforts in education and infrastructure development are vital for broader adoption.
  - Sumathy and Vipin [11] conducted a study to examine the perception and concerns of urban consumers regarding digital payment systems. The research focused on identifying key factors influencing the adoption and usage of digital payments, such as convenience, speed, and ease of use. The study also highlighted concerns related to security, privacy, and technical glitches. Data

were collected from a sample of urban consumers using structured questionnaires. The findings revealed that while most respondents had a positive perception of digital payments, persistent concerns regarding data security and trust continued to affect overall adoption. The study concluded that improving security measures and building consumer confidence were essential for greater acceptance.

- Podile and Rajesh [12] investigated public perception regarding cashless transactions in India. The study aimed to understand the awareness, usage patterns, and attitudes of consumers toward digital payments. Data were collected through a structured questionnaire from a diverse group of respondents. The findings indicated that most individuals were aware of cashless modes and used them primarily for convenience and time-saving benefits. However, concerns related to security, lack of digital literacy, and unreliable internet access posed significant barriers. The study concluded that while the shift toward cashless transactions was evident, continuous efforts were needed to enhance user trust and digital infrastructure.

### RESEARCH OBJECTIVES

- To investigate consumers' perception of the digital payment system.
- To identify the challenges and concerns faced by consumers in using digital payment systems.

### RESEARCH METHODOLOGY

The present study employs a descriptive research design. Primary data was collected from 110 respondents aged between 19 and 25 years, residing in the North Delhi region. A structured and well-designed questionnaire, aligned with the research objectives, was used as the data collection instrument.

### DATA ANALYSIS AND INTERPRETATION

#### Ques 1: Gender

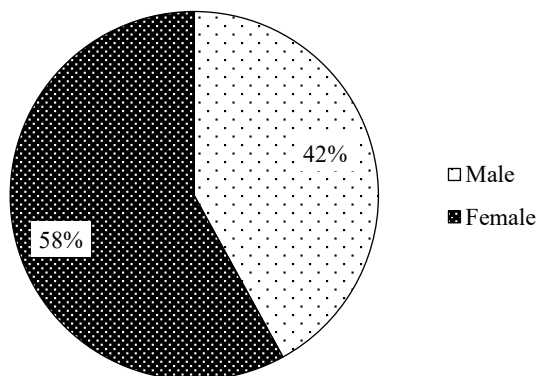
##### *Interpretation*

The pie chart represents the gender-wise distribution of individuals who participated in the survey as illustrated in Figure 1. It reveals that 58% of the respondents are males, while 42% are females. This indicates a moderately higher representation of male participants compared to female participants.

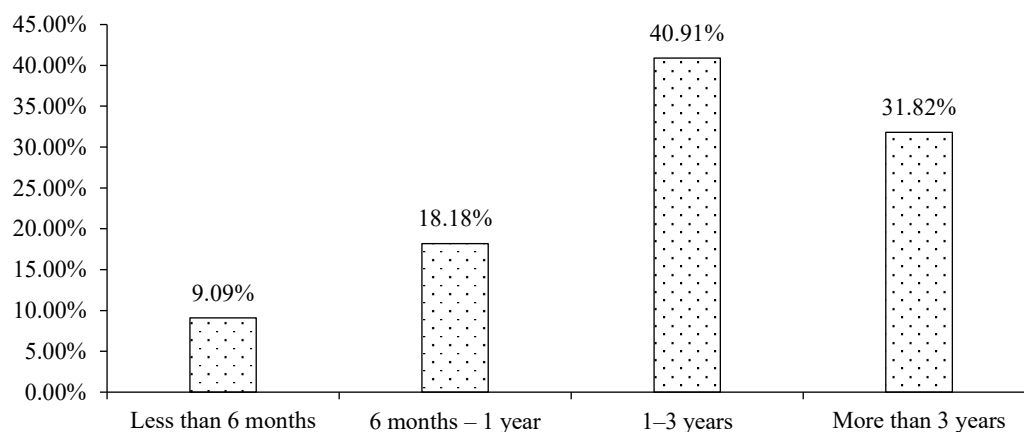
#### Ques 2: How Long Have You Been Using Digital Payment Methods?

##### *Interpretation*

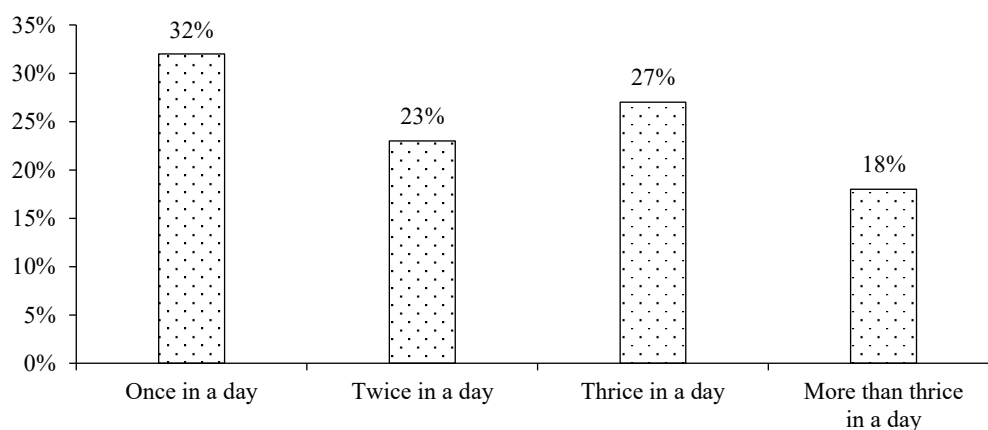
The data shows that a majority of respondents (40.91%) have been using digital payment methods for 1 to 3 years, indicating a significant adoption during recent years as illustrated in Figure 2. Additionally, 31.82% have been users for over 3 years, reflecting a stable base of experienced users. A smaller segment (27.27%) are relatively new users, with less than 1 year of experience. This distribution suggests growing familiarity and trust in digital payments, particularly in the last 3 years, possibly influenced by technological advancements and government initiatives like Digital India.



**Figure 1.** Gender of respondents.



**Figure 2.** Duration of usage of digital mode of payments.



**Figure 3.** Usage in a day.

### Ques 3: Frequency of Usage of Digital Payments Per Day?

#### Interpretation

The chart titled “Usage of Digital Mode for Payment” reveals how frequently individuals use digital payments in a day as illustrated in Figure 3. The highest proportion (32%) use it once a day, followed by 27% who use it thrice a day. Around 23% make digital payments twice daily, while 18% use it more than three times a day. This indicates that daily usage of digital payment methods is quite common, with a notable number of frequent users.

### Ques 4: What Type of Transactions Do You Mostly Use Digital Payments For?”

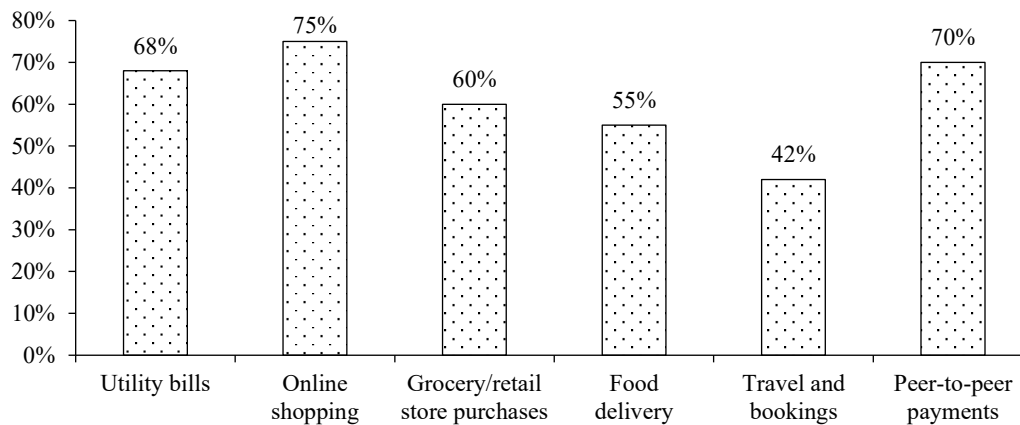
#### Interpretation

The chart highlights the usage patterns of digital payments across various transaction types as illustrated in Figure 4. Online shopping is the most popular use case, selected by 75% of respondents, followed closely by peer-to-peer payments (70%) and utility bill payments (68%). Grocery and retail purchases (60%) and food delivery (55%) also show significant usage. Travel and bookings represent the least common use, chosen by 42%. This suggests that digital payments are primarily used for routine and essential transactions, with growing trust and adoption in peer transfers and online purchases.

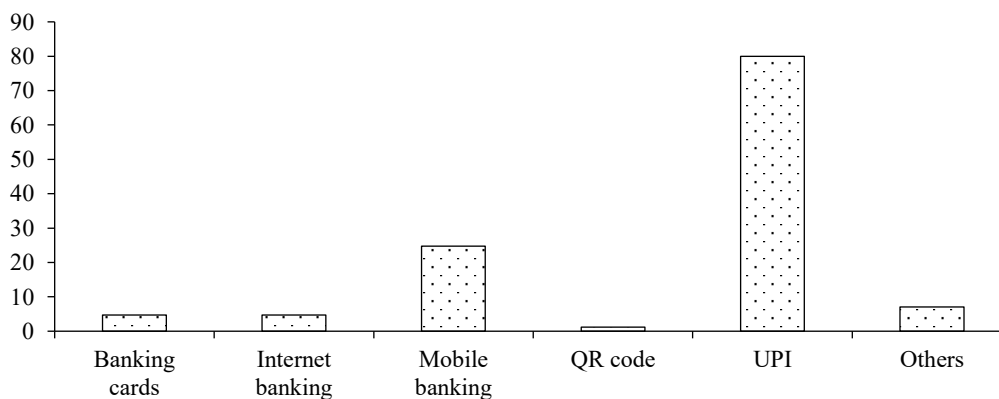
### Ques 5: Which Digital Payment Methods Do You Frequently Use?

#### Interpretation

The bar chart shows that UPI is the most preferred method, with 80% of respondents favoring it as illustrated in Figure 5. Mobile Banking follows with nearly 25% preference, while Banking Cards and Internet Banking are tied at around 4.7% each. QR Code and others are the least preferred, with minimal usage among respondents.



**Figure 4.** Usage of digital payments for types of transactions.



**Figure 5.** Preferable mode of digital payment.

**Ques 6: What Is Your Main Reason for Using Digital Payments?**

**Interpretation**

The bar chart illustrates the primary reasons consumers prefer digital modes of payment as illustrated in Figure 6. The majority (33%) choose digital payments for their time-saving benefits, followed by cashback/rewards at 25%. Hygiene and safety (contactless) is a reason for 18% of respondents, while ease of tracking expenses accounts for 15%. Only 9% cited peer pressure or social norms as a motivating factor. This indicates that functional advantages like efficiency and incentives drive most consumer preferences.

**Ques 7: What Are Biggest Concerns for Not Choosing Digital Mode for Payment?**

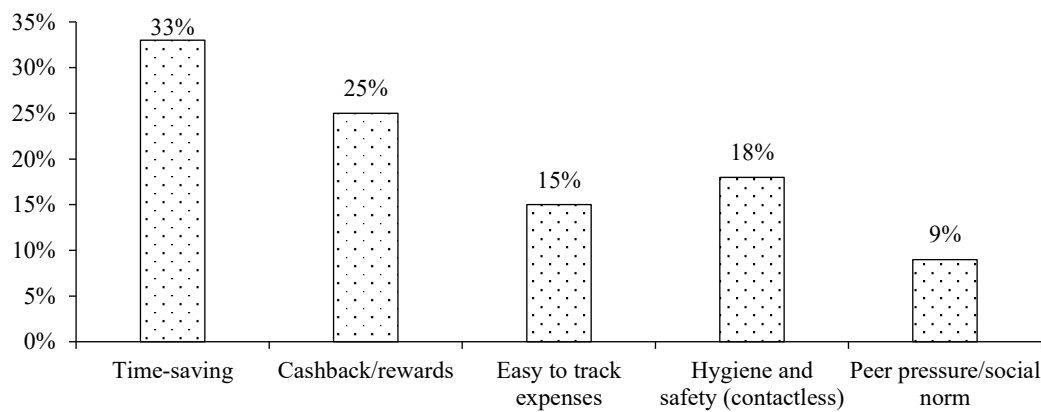
**Interpretation**

The chart highlights the major concerns preventing users from choosing digital payment methods as illustrated in Figure 7. The leading issue is security and fraud risks (33%), indicating a strong lack of trust in the safety of digital transactions. This is followed closely by privacy concerns (27%) and technical glitches or transaction failures (26%), suggesting that users are also worried about system reliability and data confidentiality. Hidden charges and lack of transparency account for 14%, showing that unexpected costs still deter a significant portion of users.

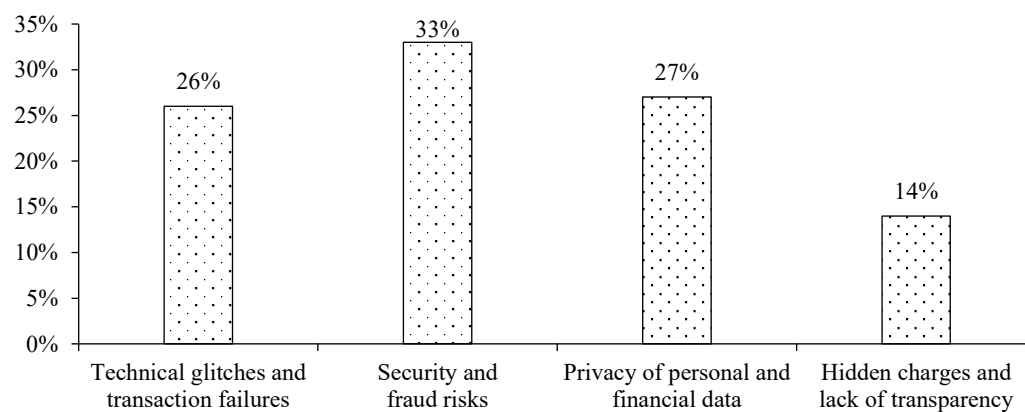
**Ques 8: Do You Believe Digital Payments Will Eventually Replace Cash Transactions Completely?**

**Interpretation**

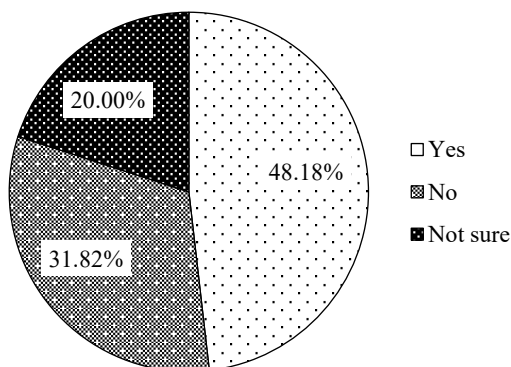
The pie chart illustrates respondents' opinions on whether digital payments will completely replace cash transactions as illustrated in Figure 8. A majority (48.18%) believe that digital payments will eventually take over cash, reflecting growing confidence in digital financial systems.



**Figure 6.** Reasons for choosing digital mode for payment.



**Figure 7.** Biggest concern for not choosing digital mode for payment.



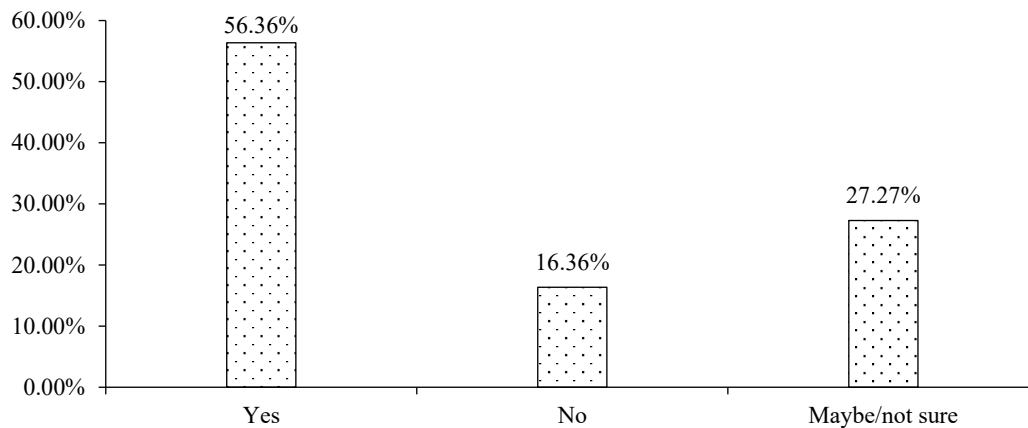
**Figure 8.** Will digital payment replace cash transactions completely.

However, 31.82% still think cash will continue to have a role, possibly due to trust, accessibility, or habit. Meanwhile, 20% of respondents are uncertain, indicating that while digital adoption is strong, there are still concerns or gaps in awareness. This mixed perception highlights that while digital payments are gaining ground, a complete shift from cash may take time.

**Ques 9: Are You Willing to Adopt Newer Digital Payment Technologies (e.g., Voice-Based Payments, Biometric Payments, etc.) in the Future?**

**Interpretation**

The results indicate that 56.36% of respondents are open to adopting newer digital payment technologies such as voice-based or biometric systems, showing a strong willingness to embrace innovation as illustrated in Figure 9. However, 27.27% remain uncertain, possibly due to unfamiliarity



**Figure 9.** Willingness to adopt newer digital payment technologies.

or concerns about privacy and reliability. A smaller segment (16.36%) is unwilling to adopt these technologies, suggesting resistance to change or preference for current methods. Overall, the data reflects a positive outlook toward future advancements, though awareness and trust-building will be essential for broader adoption.

## CONCLUSION

The results of this study demonstrate that both research objectives have been effectively addressed. Firstly, the analysis confirms that consumer perception of digital payment systems is predominantly positive, with key motivators including convenience, speed, and ease of use. The increasing adoption of mobile applications and contactless payment technologies has substantially influenced consumer behavior by enabling quick, seamless transactions without reliance on physical cash or cards. As more businesses adopt these digital solutions, consumer engagement and trust in such platforms have continued to rise. Secondly, the study identifies several persistent concerns among users, particularly regarding data privacy, security vulnerabilities, and technological accessibility. Despite ongoing enhancements in security infrastructure and initiatives by service providers to bolster user trust, a portion of the population, most notably older individuals or those with limited access to digital tools, remains apprehensive about fully embracing these technologies. Nonetheless, the overall trend suggests a steady rise in adoption rates, as consumers increasingly recognize the benefits of digital payments in terms of efficiency, accessibility, and alignment with modern financial practices. Although challenges persist, digital payment systems have become integral to the contemporary financial landscape. Their continued development, underpinned by strengthened security protocols and comprehensive digital literacy initiatives, is expected to further reinforce user confidence and support the advancement of a more inclusive and resilient digital economy.

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