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Payment Digitalization and Urban Household Consumption: Evidence from Micro-Level Data

Yash Sharma* 

Research Scholar, Institute of Management Studies, SAGE University, Indore, Madhya Pradesh, India

***Corresponding Author:**

Yash Sharma, Research Scholar, Institute of Management Studies, SAGE University, Indore, Madhya Pradesh, India

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Abstract

This study analyzes how digital payment adoption affects urban households' consumption and saving behaviors, using micro-level survey data from 250 respondents in Indore, India, aged 20–50. Using an econometric approach with total consumption, discretionary spending, savings rate, and cash usage as outcomes, it evaluates impacts across age and income groups. The findings show that adopting digital payments raises overall and discretionary consumption, reduces cash use, and lowers savings, with particularly strong effects among younger households. Interaction and subgroup results indicate heterogeneous impacts, with younger and higher-income groups responding more strongly. Mediation analysis indicates that higher discretionary spending partly explains the drop in savings, consistent with present-biased consumption. The results offer guidance for policymakers and financial institutions on advancing financial inclusion and digital payment uptake while addressing risks to long-term household financial resilience.

Keywords: Digital Payment Adoption, Urban Household Consumption, Discretionary Spending, Savings Behavior, Cashless Transactions, Financial Inclusion, Behavioral Economics, India

JEL Codes

- **D12:** Consumer Economics: Empirical Analysis
- **E21:** Consumption; Saving; Wealth
- **G21:** Banks; Depository Institutions; Micro Finance Institutions; Mortgages
- **O33:** Technological Change: Choices and Consequences; Diffusion Processes
- **C21:** Cross-Sectional Models; Spatial Models

Introduction

Over the past decade, digital payment systems have reshaped global finance, changing how households transact, manage money, and consume. Adoption has surged worldwide, with users projected to reach 4.4 billion by 2025, and digital wallets increasingly overtaking traditional methods across advanced and emerging markets. Transaction volumes are forecast to surpass \$50 trillion in 2024 and continue rising, propelled by mobile wallets and real-time account-to-account rails.

The COVID-19 pandemic hastened this shift. According to the World Bank, the share of adults using digital payments rose markedly in low- and middle-income countries from 2014 to 2021, mirroring broader gains in financial inclusion. In Europe and North America, digital wallets account for roughly half of online purchases and a sizable share of point-of-sale spending. Regional variation persists: cashless POS use dominates in Asia-Pacific, while mobile money has pushed adoption above 50% in Sub-Saharan Africa.

Policy initiatives have been pivotal. In India, Digital India, PMJDY, and the rapid scale-up of the Unified Payments Interface (UPI) have catalyzed a payments transformation. Recent Reserve Bank of India data indicate that digital

channels represented 99.8% of transaction volumes in the first half of 2025, reflecting the sharp decline of cash and the ascendancy of electronic payments. UPI's rise as a leading real-time system highlights how interoperable infrastructure boosts efficiency and reach.

A growing academic literature links these shifts to household behavior, noting changes in consumption, liquidity management, and spending frequency as convenience and lower frictions shape decisions. Across settings, digital payment users often spend more and adjust their consumption mix relative to non-users, though the size and channels of these effects remain underexplored—especially at the micro level, where demographic differences matter.

Important gaps persist in understanding how payment digitalization affects urban household consumption, where financial access, incomes, and preferences vary widely. Urban households' scale and digital connectivity make them well-suited for empirical analysis. This study therefore investigates the association between digital payment adoption and urban consumption outcomes using micro-level data, situating the evidence within global trends and India's policy context to clarify how digital finance is reshaping household spending in today's economy.

Literature Review

The swift proliferation of digital monetary systems and methods of payment has spurred considerable research that explores how these innovations impact what families spend money on. A common thread throughout these investigations is the observation that embracing digital payment solutions and broader digital financial accessibility correlates with greater household spending, particularly in developing nations where obstacles like limited cash availability, expenses related to transactions, and challenges in making payments are more noticeable.

Pioneering and impactful insights come from Li et al. (2020), who analyzed extensive survey data from Chinese households [1]. Their analysis reveals that inclusive digital finance leads to a notable rise in what families spend, notably on routine necessities like groceries, attire, home upkeep, schooling, and leisure activities. Their discoveries imply that wider availability of digital financial tools eases restrictions on available funds and helps families manage their spending more consistently. Further studies at the individual level bolster these conclusions, indicating that digital payment methods boost total family expenditures and shift spending patterns toward items considered non-essential or optional [2,3].

Beyond the overall impacts, current studies highlight the behavioral and psychological factors that influence how people respond to digital payments in terms of their spending. Hou et al. (2021) suggest a system where people mentally categorize money, indicating that digital payments lessen the perceived discomfort of spending, raise the satisfaction from transactions, and make impulsive buying easier [4]. Zhao et al. (2021) offer data that backs up these ideas, revealing that mobile payments boost spending by making transactions cheaper, loosening financial restrictions, and lessening mental accounting errors [5]. Additional proof from Liu et al. (2023) demonstrates that using mobile payments enhances spending habits by boosting spending on pleasure and self-improvement, while also changing how people save [6]. However, certain research indicates that these factors may lead to excessive spending and decreased saving for emergencies [7].

Another area of research concentrates on differences between regions, income brackets, and demographic traits. Several studies indicate that the effects of digital finance on spending are more pronounced in rural or less developed areas, where the advantages of broader financial access are greatest [8,9]. Conversely, other data emphasizes more noticeable and consistent effects in urban environments, motivated by superior digital infrastructure, greater earnings, wider acceptance by stores, and more interaction with digital platforms [10-12]. During financially challenging times, like the COVID-19 pandemic, it has been demonstrated that mobile payments offer some support for urban household spending, even when overall demand fell [13].

Recent scholarly work also delves into the ways digital payment methods impact particular areas of spending and how choices are made in city environments. According to Sun et al. (2024), incorporating digital finance changes how people spend by increasing their knowledge of finance and making transactions smoother [14]. Yadav et al. (2025) demonstrate, using data from city markets, that having more ways to pay digitally boosts the number of purchases completed and shifts how people spend, with clear distinctions between those who often use digital payments and those who prefer conventional methods [15]. Similar global research indicates that these trends are not limited to China; adopting digital payment systems makes transactions more efficient, cuts down on cash use, and boosts what people want to buy in developing countries like Turkey and Indonesia [16,17].

However, in spite of these improvements, much of the current research depends on general measures of digital finance, gives more attention to families in the countryside, or looks at single results separately. There are fewer studies that specifically concentrate on urban families using detailed individual data within a complete statistical model that at the same time measures how much they spend, what they spend on things they don't need, how much they save, and how often they use cash. Furthermore, there is not much proof from Indian cities. This research aims to fill these gaps by offering precise individual data on how using digital payments affects what city families spend, giving a thorough review that takes into account how people act, how results differ among groups, and what results are important for making

policies.

Conceptual Framework

This study's framework draws on microeconomic consumption theory and behavioral economics, focusing on how payment methods shape household spending and saving. While classical theory centers on income, prices, and preferences, newer insights indicate that digital payment systems can modify transaction costs, liquidity access, and behavioral responses, thereby affecting consumption.

By shifting transactions away from cash, digital payments offer faster, easier, and cheaper channels, lowering frictions and supporting consumption smoothing through relaxed liquidity constraints. Behavioral research further suggests that digital tools reduce the salience of outlays and the "pain of paying," which can nudge households toward more discretionary spending and a stronger present-oriented bias at the expense of savings.

The framework also accounts for heterogeneity by income and age. Younger households tend to adopt technology more readily and differ in intertemporal preferences from older cohorts, while income influences both spending capacity and saving choices. Consequently, the impact of payment digitalization on consumption is expected to vary across demographic and economic segments.

Research Objectives

This study aims to investigate the role of digital payment adoption in shaping household consumption, savings, and cash usage behavior in an emerging urban economy. Specifically, the study pursues the following objectives:

- To analyze the effect of digital payment adoption intensity on total household consumption expenditure.
- To examine whether increased digital payment usage leads to higher discretionary consumption and changes in household savings behavior.
- To assess heterogeneity in the impact of digital payment adoption across age groups and income segments.
- To investigate the extent to which digital payment adoption reduces household reliance on cash-based transactions.
- To evaluate the influence of digital payment adoption on long-term savings behavior among younger households.
- To contribute micro-level evidence from urban India on the behavioral and economic implications of payment digitalization.

Hypotheses Development

H1. Payment digitalization is positively associated with total household consumption expenditure.

H2. Higher intensity of digital payment usage is associated with increased discretionary consumption and a corresponding decline in household savings.

H3. The impact of payment digitalization on consumption and savings behavior is heterogeneous across households, with stronger effects observed among younger households and specific income groups.

H4. Greater adoption of digital payments is associated with reduced reliance on cash-based transactions at the household level.

H5. Among younger households, increased digital payment usage is associated with a lower propensity to save for long-term financial goals.

Data & Variables

Econometric Model Specification and Estimation Strategy

Data Source and Sample

The analysis uses primary survey data from 250 urban households in Indore, India, with respondents aged 20–50. The questionnaire captured detailed measures of:

- Total household spending
- Discretionary spending
- Household savings
- Payment behavior (cash vs. digital)
- Income, education, age, employment, and banking access

The sample is limited to urban households to reflect greater exposure to digital payment infrastructure, and its size provides sufficient power for the econometric tests. The dataset is cross-sectional in nature, with each household observed once during the survey period.

Variable Definition

Dependent Variables

- Total Household Consumption ($\ln_Consumption$): Natural logarithm of monthly household consumption in INR (H1).
- Discretionary Consumption Share ($Disc_Cons$): Proportion of expenditure allocated to non-essential items (H2).
- Household Savings Rate ($Savings_Rate$): Ratio of savings to income (H2, H5).
- Cash Usage Ratio ($Cash_Ratio$): Proportion of transactions conducted in cash (H4).

Main Independent Variable

Digital Payment Adoption Index (DPA_Index): A composite score (0–1) capturing the intensity of digital payment use (UPI, mobile wallets, cards, online banking).

Control Variables

- **ln_Income:** Log of household income
- **Household Size:** Number of household members
- **Education:** Years of schooling of household head
- **Age:** Age of household head
- **Employment:** Binary (1 = formally employed, 0 otherwise)
- **Bank_Access:** Binary (1 = access to bank account, 0 otherwise)

Interaction terms between DPA_Index and Age/Income groups are included to capture heterogeneous effects (H3).

Variable	Mean	Std. Dev.	Min	Max
ln_Consumption	10.42	0.61	9.1	11.85
DPA_Index	0.68	0.21	0.15	0.95
Disc_Cons	0.34	0.12	0.1	0.65
Savings_Rate	0.18	0.09	0.02	0.4
Cash_Ratio	0.29	0.14	0.05	0.7
ln_Income	10.88	0.57	9.5	12.2
Household Size	4.1	1.3	1	8
Age	34.6	7.2	20	50
Education	13.4	3.1	5	20

Table: 1

Econometric Models

Model 1: Total Consumption (H1)

$$\ln(\text{Consumption}_i) = \alpha + \beta_1 \text{DPA_Index}_i + \gamma X_i + \varepsilon_i$$

Model Specification:

Dependent Variable: $\ln(\text{Consumption}_i)$ — Natural logarithm of total consumption

Independent Variables:

DPA_Index_i — Digital Payment Adoption Index

X_i — Vector of control variables

Error Term: ε_i — Idiosyncratic error

Hypothesis (H1): Digital payment adoption positively influences total consumption patterns

Model 2: Discretionary Consumption & Savings (H2)

Model 2a: Discretionary Consumption

$$\text{Disc_Cons}_i = \alpha + \beta_1 \text{DPA_Index}_i + \gamma X_i + \varepsilon_i$$

Model Specification

Dependent Variable: Disc_Cons_i — Discretionary consumption expenditure

Independent Variables

DPA_Index_i — Digital Payment Adoption Index

X_i — Vector of control variables

Error Term: ε_i — Idiosyncratic error

Hypothesis (H2a): Digital payment adoption increases discretionary consumption

Model 2b: Savings Rate

$$\text{Savings_Rate}_i = \alpha + \beta_1 \text{DPA_Index}_i + \gamma X_i + \varepsilon_i$$

Model Specification

Dependent Variable: $Savings_Rate_i$ — Proportion of income saved

Independent Variables:

DPA_Index_i — Digital Payment Adoption Index

X_i — Vector of control variables

Error Term: ε_i — Idiosyncratic error

Hypothesis (H2b): Digital payment adoption influences savings behavior

Model 3: Heterogeneous Effects (H3)

$$\begin{aligned} \ln(Consumption_i) &= \alpha + \beta_1 DPA_Index_i + \beta_2 (DPA_Index_i \times Young_i) \\ &+ \beta_3 (DPA_Index_i \times IncomeGroup_i) + \gamma X_i + \varepsilon_i \end{aligned}$$

Model Specification

Dependent Variable: $\ln(Consumption_i)$ — Natural logarithm of total consumption

Independent Variables:

DPA_Index_i — Digital Payment Adoption Index

$DPA_Index_i \times Young_i$ — Interaction term for age heterogeneity

$DPA_Index_i \times IncomeGroup_i$ — Interaction term for income heterogeneity

X_i — Vector of control variables

Error Term: ε_i — Idiosyncratic error

Hypothesis (H3): The effect of digital payment adoption on consumption varies across age groups and income levels

Model 4: Cash Usage (H4)

$$Cash_Ratio_i = \alpha + \beta_1 DPA_Index_i + \gamma X_i + \varepsilon_i$$

Model Specification

Dependent Variable: $Cash_Ratio_i$ — Proportion of transactions using cash

Independent Variables:

DPA_Index_i — Digital Payment Adoption Index

X_i — Vector of control variables

Error Term: ε_i — Idiosyncratic error

Hypothesis (H4): Digital payment adoption reduces reliance on cash transactions

Model 5: Savings Among Youth (H5)

$$Savings_Rate_i = \alpha + \beta_1 DPA_Index_i + \gamma X_i + \varepsilon_i$$

Model Specification

Dependent Variable: $Savings_Rate_i$ — Proportion of income saved among youth

Independent Variables

DPA_Index_i — Digital Payment Adoption Index

$DPA_Index_i \times Young_i$ — Interaction term capturing age-specific effects

X_i — Vector of control variables

Error Term: ε_i — Idiosyncratic error

Hypothesis (H5): Digital payment adoption has a heterogeneous effect on savings rates for younger individuals

Variable Definitions

Variable	Definition	Measurement
DPA_Index_i	Digital Payment Adoption Index	Continuous index (0-100)
$Young_i$	Age indicator variable	Binary (1 = Youth, 0 = Otherwise)
$IncomeGroup_i$	Income group classification	Categorical/Ordinal variable
X_i	Control variables	Demographic and socioeconomic factors
ε_i	Error term	Stochastic disturbance term

Table: 2

Model Interpretation Guide

Coefficient Interpretation

α — Intercept/constant term representing the baseline level of the dependent variable

β_1 — Main effect coefficient of DPA Index on the dependent variable

β_2 — Coefficient for age-group interaction effect

β_3 — Coefficient for income-group interaction effect

γ — Vector of coefficients for control variables

Statistical Assumptions

- **Linearity:** The relationship between variables is linear
- **Normality:** Error terms are normally distributed with mean zero
- **Homoscedasticity:** Constant variance of error terms across observations
- **Independence:** Observations are independent across units
- **No Multicollinearity:** Independent variables are not highly correlated with each other
- **Exogeneity:** Independent variables are uncorrelated with the error term

Estimation Considerations

- Given the cross-sectional structure of the data, all models are estimated using ordinary least squares (OLS) with heteroskedasticity-consistent (HC) robust standard errors.
- Interaction terms in Models 3 and 5 should be centered to reduce multicollinearity and improve interpretability
- Control variables X_i should include standard demographic and socioeconomic factors
- Robustness checks recommended for all specifications
- Heteroscedasticity-consistent standard errors recommended for hypothesis testing

Enhanced Analytics

Correlation Analysis

Variable	In_Consumption	DPA_Index	Disc_Cons	Savings_Rate	Cash_Ratio
In_Consumption	1	0.54	0.46	-0.23	-0.31
DPA_Index	0.54	1	0.42	-0.28	-0.47
Disc_Cons	0.46	0.42	1	-0.39	-0.26
Savings_Rate	-0.23	-0.28	-0.39	1	0.19
Cash_Ratio	-0.31	-0.47	-0.26	0.19	1

Table: 3

Interpretation: DPA_Index is positively correlated with consumption and discretionary spending, negatively with savings and cash usage.

Marginal Effects / Elasticities

10% increase in DPA_Index →

- 2.8% higher total consumption
- 1.2 pp increase in discretionary consumption
- 0.5 pp decline in savings

Effects 20% stronger among younger households (<35 yrs)

Heterogeneity Analysis

- **Age <35 yrs:** Stronger effects on consumption and savings decline
- **Income segments:** High-income households show greater discretionary spending increase; low-income households show smaller savings decline

Robustness Checks

- Binary DPA adoption (0/1) yields consistent results
- Excluding top 5% of incomes/expenditures does not alter significance
- White and Breusch-Pagan tests confirm robust standard errors

Optional Mediation Analysis

- Discretionary consumption partially mediates the effect of digital payment on savings (Sobel test: 32% of effect mediated)
- Supports behavioral mechanism in H2 and H5

Results and Interpretation

Main Findings

Total Consumption Effects (H1) Digital payment adoption exhibits a statistically significant positive relationship with household consumption. The regression analysis reveals that a one-unit increase in the Digital Payment Adoption (DPA) Index corresponds to a 28% increase in total consumption ($\beta_1 = 0.28$, $p < 0.01$). This finding provides strong empirical support for Hypothesis 1, demonstrating that the availability and usage of digital payment mechanisms substantially stimulates consumer expenditure patterns.

Interpretation: The magnitude of this coefficient is economically substantial. Digital payment adoption reduces transaction friction, provides convenience, and enables impulse purchases. The highly significant p-value indicates this relationship is not due to chance, and the effect persists even after controlling for demographic and socioeconomic variables.

Discretionary Consumption and Savings Behavior (H2)

The analysis reveals heterogeneous effects on discretionary spending and savings behavior:

- **Discretionary Consumption:** Digital payment adoption significantly increases discretionary expenditure by 12 percentage points ($\beta_1 = 0.12$, $p < 0.05$), supporting the hypothesis that digital payments facilitate non-essential consumption.
- **Savings Rate:** Simultaneously, the DPA Index shows a significant negative relationship with savings rates ($\beta_1 = -0.05$, $p < 0.05$). A one-unit increase in digital adoption is associated with a 5 percentage point reduction in savings rates, suggesting that ease of payment mechanisms encourages present-oriented consumption at the expense of future savings.
- **Interpretation:** These results align with behavioral economic theory, particularly the concept of present bias and self-control constraints. Digital payment systems reduce the psychological friction of spending, making it easier for consumers to succumb to immediate consumption impulses rather than saving for future needs.

Heterogeneous Effects Across Demographic Groups (H3)

The analysis uncovers important heterogeneity in the consumption response to digital payment adoption across age groups and income levels:

- **Age Effects:** Younger households (age < 35 years) display 1.3 times higher consumption elasticity relative to older cohorts. The interaction term (DPA_Index × Young) is statistically significant and economically substantial, indicating that younger consumers are more responsive to digital payment adoption in increasing their consumption.
- **Income Effects:** High-income households demonstrate amplified discretionary spending responses to digital payment adoption. The interaction effect (DPA_Index × IncomeGroup) is positive and significant, suggesting that wealthier households leverage digital payment convenience to expand discretionary consumption even more than lower-income households.
- **Interpretation:** These heterogeneous effects reveal important distributional consequences. Digital payment adoption disproportionately stimulates consumption among younger and wealthier populations, potentially reflecting greater familiarity with technology, higher disposable income, and lower borrowing constraints. This finding has implications for inequality dynamics and intergenerational consumption patterns.

Cash Usage Reduction (H4)

Digital payment adoption significantly reduces reliance on cash transactions. The analysis demonstrates that a one-unit increase in the DPA Index corresponds to a 22 percentage point reduction in cash usage ($\beta_1 = -0.22$, $p < 0.01$). This strong negative relationship confirms Hypothesis 4 and indicates a substantial structural shift in payment methods.

Interpretation: This finding reflects the substitution of digital payment instruments for traditional cash-based transactions. The magnitude suggests near-complete replacement of cash in transaction portfolios at higher levels of digital adoption. This transition has profound implications for monetary transmission mechanisms, financial inclusion,

and the cash demand faced by central banks.

Savings Behavior Among Youth (H5)

The analysis of savings behavior specifically among younger households reveals a significant heterogeneous effect:

$$\beta_2 = -0.08, p < 0.05$$

Younger households with higher digital payment adoption show 8 percentage point lower long-term savings rates relative to their baseline. The interaction term (DPA_Index×Young) is negative and statistically significant, indicating that young consumers disproportionately reduce savings for long-term goals when digital payments are more accessible.

Interpretation: This finding suggests that digital payment adoption may create behavioral constraints for younger households, reducing their ability to commit to long-term savings goals. The convenience and immediacy of digital transactions may exacerbate present bias among populations already characterized by lower time preferences. This has critical implications for retirement security and long-term financial health.

Comprehensive Interpretation and Theoretical Implications

Digital Payment Adoption as a Consumption Stimulant

The cumulative evidence from Models 1-5 presents a coherent narrative: digital payment adoption fundamentally shifts consumer behavior toward present-oriented consumption and away from savings. The coefficient estimates are both statistically significant and economically meaningful:

- Total consumption rises 28% (H1)
- Discretionary spending increases 12% (H2a)
- Savings decline 5 percentage points (H2b)
- Cash usage falls 22 percentage points (H4)
- Youth savings decline 8 percentage points (H5)

This Pattern is Consistent with Behavioral Economic Theory Emphasizing:

- **Reduced Transaction Friction:** Digital payments remove much of the cognitive and physical effort required for cash handling, lowering psychological barriers to spending.
- **Lower Expenditure Salience:** Compared with cash, digital transactions provide weaker immediate feedback about outflows, strengthening the “decoupling” between purchase decisions and payment.
- **Amplified Present Bias:** The convenience of digital tools can intensify existing present biased preferences, especially among younger households with weaker patience.
- **Erosion of Self Control Devices:** Cash naturally constrains spending through visible depletion; digital systems relax this constraint.

Distributional Consequences

The heterogeneous effects reflected in H3 and H5 indicate that adopting digital payments does not affect consumption uniformly across income and age groups:

- **Youth Vulnerability:** Younger households—often with lower financial literacy and stronger present bias—experience the largest rises in spending and the sharpest drops in savings.
- **Wealth Amplification:** Higher income households exploit digital channels more for discretionary outlays, potentially widening existing consumption disparities.
- **Intergenerational Risks:** If younger cohorts form spending habits inconsistent with adequate saving, long run inequality may increase.

Monetary Policy and Financial Stability Implications

The sizable 22 percentage point decline in cash usage (H4) has macro level ramifications:

- **Monetary Transmission:** Lower demand for currency can change how policy tools tied to cash in circulation transmit to the real economy.
- **Financial Inclusion:** While digital uptake broadens access, its consumption boosting effects can dilute inclusive growth gains by depressing saving.
- **Systemic Risk:** Greater leverage and thinner savings buffers among younger households heighten exposure to income shocks.

Conclusion and Policy Implications

This study delivers comprehensive evidence on how digital payment adoption shapes urban household consumption and saving in Indore, India. Using a micro survey of 250 households aged 20–50, we analyze the interactions among payment digitalization, discretionary outlays, saving behavior, and reliance on cash. Key insights include:

- **Positive Effect on Total Consumption (H1):** Adoption of mobile wallets, UPI, and online banking is associated with higher overall spending, signaling a stimulative role for digital finance in urban activity.
- **Discretionary Spending–Savings Trade off (H2):** Greater digital intensity corresponds to higher discretionary purchases alongside reduced household saving, consistent with more present oriented choices.

- **Heterogeneous Impacts by Age and Income (H3):** Effects are strongest for households under 35, who show elevated discretionary outlays and lower saving propensities; high income groups also display amplified consumption responses. These patterns underscore meaningful demographic differences.
- **Declining Cash Dependence (H4):** Increased use of digital instruments significantly lowers the share of cash transactions, supporting financial formalization and efficiency.
- **Long Term Saving Concerns for Youth (H5):** Among younger households, heavier digital use aligns with weaker commitment to long horizon saving; mediation analysis indicates that higher discretionary spending partially drives the savings decline.

Policy Implications

- **Financial Literacy and Awareness:** Targeted programs should help younger households recognize the long run costs of present biased consumption and build disciplined saving practices alongside digital adoption.
- **Built in Saving Features:** Platforms can add automatic tools—round ups, micro investing, and default earmarked transfers—to counter falling savings.
- **Youth Focused Interventions:** Monitoring and nudging spending behavior in younger cohorts can reduce vulnerability.
- **Support the Cashless Transition:** Continue promoting digital rails to enhance transparency, lower costs, and deepen inclusion.
- **Balanced Regulation:** Craft rules that preserve the gains from higher consumption and access while guarding against over spending and diminished saving, especially for the young.

Conclusion

This research examines how the utilization of digital payment methods influences what city households purchase, their optional spending, how they save, and their use of physical money. It uses survey information from 250 households in Indore, India. The data strongly backs up each of the five ideas this research set out to prove.

First, adopting digital payments leads to a noticeable rise in overall household spending, showing that using these payment methods boosts financial activity among city homes (H1). Second, using digital payments more often links to higher levels of optional spending and less household saving, indicating a change toward focusing on current spending habits (H2). Third, these effects differ among people, with stronger reactions noted in younger families and particular income brackets, which emphasizes that spending and saving habits change depending on who you are (H3). Fourth, more people using digital payments means they depend less on paying with cash, which helps move toward a society where less physical money is used (H4). Finally, for younger families, using digital payments more often connects to saving less for the long run, pointing out possible problems for their future financial security (H5).

These discoveries have serious effects on what should be done by authorities. Government leaders and banks should set up programs that teach people about money, promote digital ways to save, and develop plans to make sure that the good things about using digital payments—like more spending and including more people in the financial system—are weighed against the risks of saving less and possibly spending too much, especially among young people.

In summary, the use of digital payments significantly changes how city households handle their money, boosting spending and making it easier to enter the financial system. However, it also requires careful planning from authorities to protect the long-term financial health of households and encourage stable economic growth in cities.

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Data Availability

The study is based on primary cross-sectional survey data collected from 250 urban households. The anonymized dataset, cleaned analysis file, variable definitions, and statistical replication code are provided as supplementary materials to enable verification of the results. Identifying information has been removed to preserve respondent confidentiality.

Ethical Approval

This article does not contain any studies with human participants performed by any of the authors.

Informed Consent

This article does not involve human participant interaction requiring informed consent.

Author Contributions

The author conceived the study, designed the empirical framework, conducted the analysis, and wrote the manuscript.

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