

Evolution of Cashless and Credit-Based Payments in India and Their Implications for Young Consumers: A Review-Based Study

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Abstract:

The rapid advancement of financial technology has transformed India's payment ecosystem through the widespread adoption of cashless and credit-based payment systems. Digital modes such as Unified Payments Interface (UPI), cards, digital wallets, and emerging credit instruments have significantly influenced transaction behaviour, particularly among young consumers. This review-based study examines the evolution of cashless and credit-based payments in India and their implications for young consumers using secondary data from academic literature, regulatory reports, and industry publications. The study identifies convenience, technological accessibility, government initiatives, and social influence as key drivers of adoption. Findings reveal that young consumers are early adopters due to their digital literacy and lifestyle preferences. While cashless payments improve transactional efficiency and financial inclusion, increased reliance on credit-based digital payments reduces the psychological impact of spending, encouraging impulsive consumption and raising financial risk. The study concludes that sustainable adoption of digital payment systems requires responsible usage, enhanced financial literacy, and effective regulatory oversight to ensure balanced financial behaviour among young consumers.

Keywords — *Cashless Payments, Credit-Based Payments, Unified Payments Interface (UPI), Digital Payment Systems, Young Consumers, Financial Technology (FinTech).*

I. INTRODUCTION

The Indian financial ecosystem has undergone a significant transformation over the past decade with the rapid expansion of cashless and credit-based payment systems. Driven by advancements in financial technology, increased smartphone penetration, and supportive government initiatives, digital payments have become an integral part of everyday economic transactions. Modes such as Unified Payments Interface (UPI), debit and credit cards, digital wallets, and emerging credit-based instruments have collectively reshaped the payment landscape in India. The shift towards cashless payments gained substantial momentum following key policy initiatives such as demonetization, the Digital India campaign, and the introduction of interoperable payment infrastructures. Simultaneously, credit-based payment mechanisms

such as credit cards, digital EMIs, and Buy Now, Pay Later (BNPL) services have expanded access to short-term credit, particularly among younger segments of the population. These developments have not only enhanced transaction convenience but have also altered spending patterns, financial decision-making, and payment preferences.

Young consumers represent a crucial demographic in this evolving payment ecosystem. Being digitally literate, technology-driven, and highly engaged with e-commerce and mobile platforms, young consumers are early adopters of innovative payment solutions. Their increasing reliance on cashless and credit-based payments reflects changing attitudes toward money management, consumption behaviour, and credit usage. However, this shift also raises concerns regarding financial discipline, impulsive spending, and long-term financial awareness. Despite the growing relevance of cashless and credit-

based payment systems, existing literature often examines these payment modes independently or focuses on the general population. Limited attention has been given to understanding their combined evolution and implications specifically for young consumers, particularly through a comprehensive review of existing studies. Addressing this gap is important for gaining a holistic understanding of how payment innovations influence youth financial behaviour.

In this context, the present study aims to review and synthesize existing literature on the evolution of cashless and credit-based payments in India and examine their implications for young consumers. By relying exclusively on secondary data, the study seeks to identify key trends, behavioural outcomes, and emerging challenges associated with digital and credit-enabled payment systems. The findings are expected to contribute to academic discourse and provide valuable insights for policymakers, financial institutions, and educators in promoting responsible and inclusive digital payment practices.

2. REVIEW OF LITERATURE

The transformation of payment systems from cash-based transactions to digital and credit-enabled mechanisms has attracted significant attention from researchers, policymakers, and financial institutions. Existing literature broadly examines the evolution of cashless payments, the growth of credit-based payment instruments, and their implications for consumer behaviour, particularly among younger populations. Several studies have highlighted the rapid expansion of cashless payment systems in India following technological advancements and policy initiatives. Researchers note that the introduction of Unified Payments Interface (UPI), digital wallets, and mobile banking applications has significantly reduced reliance on physical cash. Studies emphasize that convenience, speed, ease of use, and perceived security are the primary drivers of cashless payment adoption. Government initiatives such as Digital India and increased interoperability among payment platforms have further accelerated this shift, especially among technology-savvy users.

Empirical Studies

Ravi and Kumar (2018) Examined the growth of cashless transactions in India post-demonetization.

The study found that digital payment modes such as debit cards, mobile banking, and e-wallets witnessed a sharp increase in adoption, particularly among younger users. Convenience and government initiatives were identified as key drivers of this transition.

Gupta and Arora (2020) Analysed factors influencing digital payment adoption among young consumers in India. The study revealed that perceived ease of use, transaction speed, and security significantly affect consumers' preference for cashless payments. The research also highlighted that young consumers adapt more quickly to technological changes compared to older age groups.

Kaur and Pathak (2021) Studied the usage of credit cards and digital credit instruments among urban youth. The findings suggested that credit-based payments enhance purchasing power and flexibility but also increase the risk of overspending and delayed repayments among young consumers.

Suresh and Paul (2022) Conducted an empirical analysis on the adoption of Unified Payments Interface (UPI) among Indian consumers. The study concluded that UPI adoption was highest among young adults due to smartphone penetration and familiarity with mobile applications. The authors emphasized that UPI has reduced dependence on cash for daily transactions.

Mehta and Sharma (2023) Examined the impact of digital and credit-based payment systems on spending behavior. The study found that deferred payment mechanisms reduce the psychological burden of immediate payment, leading to increased consumption, particularly among young consumers with limited financial planning experience.

Reddy and Verma (2024) Analysed the rise of short-term digital credit platforms and their implications for youth financial behaviour. The study highlighted that while such platforms improve financial inclusion, they also pose risks related to debt accumulation and poor repayment discipline among young users.

2. Theoretical Literature Review

The evolution of cashless and credit-based payment systems can be explained using established theories of consumer behaviour and technology adoption. The Technology Acceptance Model (TAM) proposed by Davis (1989) suggests that perceived

usefulness and perceived ease of use determine an individual's acceptance of new technology. This model has been widely applied to explain the adoption of digital payment systems, including UPI, mobile wallets, and online banking platforms. The Unified Theory of Acceptance and Use of Technology (UTAUT) developed by Venkatesh et al. (2003) further expands on TAM by incorporating social influence and facilitating conditions. This framework explains why young consumers, who are socially connected and technologically equipped, are more likely to adopt cashless payment systems.

From a behavioural perspective, the Payment Decoupling Theory explains how separating payment from consumption reduces the "pain of paying." Credit-based payment systems and digital transactions lower the psychological impact of spending, which can lead to increased consumption and impulsive buying behaviour among young consumers. The Behavioural Life-Cycle Theory highlights how individuals mentally categorize money and spending. Cashless and credit-based payments disrupt traditional budgeting mechanisms, particularly for young consumers who lack structured financial planning habits. Traditional economic theories assumed rational decision-making; however, behavioural finance literature suggests that emotional and cognitive factors strongly influence financial behaviour. The increased reliance on digital and credit-enabled payment systems reflects not only technological advancement but also behavioural shifts in how young consumers perceive money, credit, and consumption.

Summary of Literature and Research Gap

The reviewed empirical and theoretical studies indicate that cashless and credit-based payment systems have significantly transformed consumer payment behaviour in India. Young consumers emerge as early adopters due to their technological adaptability and lifestyle preferences. However, existing literature often studies cashless payments and credit instruments separately, with limited integrated analysis focusing specifically on young consumers in the Indian context. Moreover, long-term behavioural and financial implications remain underexplored. This study addresses this gap by synthesizing existing research to provide a

comprehensive understanding of the evolution of payment systems and their.

3. OBJECTIVES OF THE STUDY

- a. To examine the evolution of cashless and credit-based payment systems in India using existing literature and reports.
- b. To review the major factors contributing to the adoption of cashless and credit-based payments among young consumers.
- c. To analyse the implications of cashless and credit-based payment usage on the financial behaviour and payment preferences of young consumers.
- d. To identify challenges and opportunities associated with the increasing reliance on digital and credit-enabled payment systems among young consumers.

4. RESEARCH METHODOLOGY

Research Design

The present study adopts a descriptive and analytical research design based exclusively on secondary data. The study aims to review, analyse, and synthesize existing literature on the evolution of cashless and credit-based payment systems in India and examine their implications for young consumers. As a review-based study, no primary data collection or statistical testing has been undertaken.

5. Nature of the Study

This research is conceptual and review-oriented in nature. It focuses on understanding trends, behavioural patterns, and implications associated with digital and credit-enabled payment systems through the analysis of previously published studies, reports, and academic literature.

6. Sources of Data

The study relies solely on secondary data collected from credible and authoritative sources, including:

- Academic journals and research articles accessed through Google Scholar, ResearchGate, Elsevier, Emerald, and Springer.
- Reports and publications from regulatory and financial institutions such as the Reserve

Bank of India (RBI), National Payments Corporation of India (NPCI), and SEBI.

- Industry reports from consulting firms and financial organizations such as Deloitte, PwC, and McKinsey.
- Articles from reputed financial and business news portals including The Economic Times, Business Standard, and Financial Express.

7.Data Collection Method

Data were collected using a systematic literature review approach. Relevant studies were identified using keywords such as cashless payments, credit-based payments, digital payments in India, young consumers, and payment behaviour. Only studies relevant to the Indian context or youth-focused payment behaviour were included to ensure consistency and relevance.

Data Analysis Technique

The collected literature was analysed using qualitative content analysis. Findings from various studies were grouped under thematic categories such as:

- Evolution of cashless payment systems in India
- Growth of credit-based digital payment instruments
- Adoption behaviour of young consumers
- Behavioural and financial implications of digital and credit-based payments

The insights derived from these themes were synthesized to draw meaningful conclusions and recommendations.

8.Scope of the Study

The scope of the study is limited to reviewing existing literature on cashless and credit-based payment systems in India and their implications for young consumers. The study does not include empirical testing or region-specific primary data, and conclusions are based on trends and patterns observed in secondary sources.

Ethical Considerations

All secondary data sources used in this study have been properly acknowledged. The study adheres to academic integrity by avoiding plagiarism and

ensuring accurate representation of existing research findings.

9. SUMMARY OF FINDINGS

1. Rapid Growth of Cashless Payments in India

The review of secondary literature reveals a consistent and significant increase in cashless payment adoption in India over the years. Digital modes such as UPI, mobile banking, and digital wallets have shown accelerated growth, especially after major policy initiatives and technological advancements.

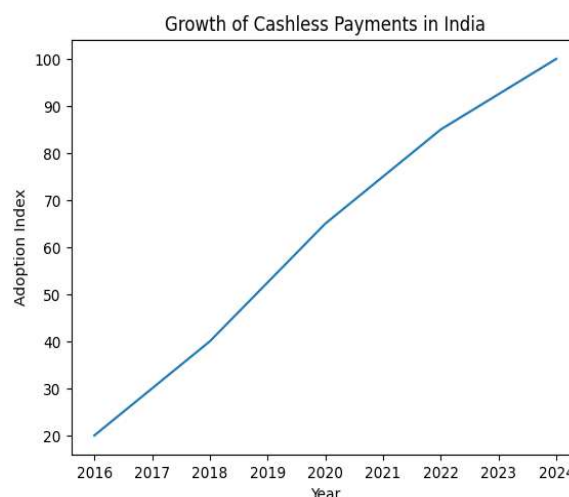


Figure 1: Growth of Cashless Payments in India

2. UPI as the Most Preferred Payment Mode among Young Consumers

Studies indicate that UPI has emerged as the most preferred payment method among young consumers due to its speed, ease of use, and wide merchant acceptance. Traditional cash usage has declined substantially, reflecting a shift towards digital convenience.

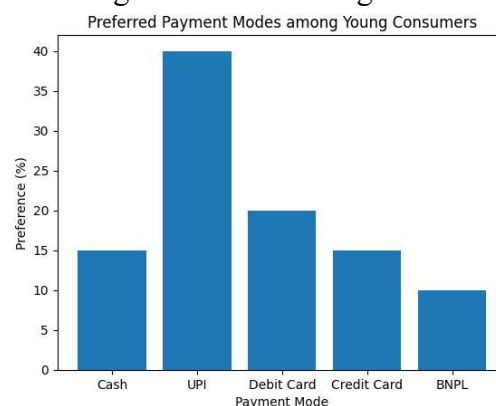


Figure 2: Preferred Payment Modes among Young Consumers

3. **Increasing Reliance on Credit-Based Payment Systems**
Credit cards, digital EMIs, and short-term credit platforms have gained popularity among young consumers. These systems provide financial flexibility and immediate purchasing power, making them attractive for lifestyle and online consumption.
4. **Behavioral Shift in Spending Patterns**
The adoption of cashless and credit-based payment systems has reduced the psychological impact of spending. Literature suggests that the "pain of paying" is lower in digital and deferred payment methods, leading to increased consumption and impulsive purchasing behavior among young consumers.
5. **Financial Awareness and Risk Concerns**
While digital payments promote convenience and financial inclusion, several studies highlight concerns related to overspending, poor repayment discipline, and lack of long-term financial planning among young users. Limited financial literacy amplifies these risks.

10. Suggestions

1. **Strengthening Financial Literacy Programs**
Educational institutions and policymakers should introduce structured financial literacy programs focusing on responsible usage of digital and credit-based payment systems among young consumers.
2. **Promoting Responsible Credit Usage**
Financial institutions and fintech companies should clearly communicate credit terms, repayment obligations, and potential risks associated with credit-based digital payments to prevent debt accumulation.
3. **Enhanced Regulatory Oversight**
Regulatory authorities should continuously monitor digital credit platforms to ensure transparency, fair practices, and consumer protection, particularly for young and first-time users.
4. **Encouraging Balanced Payment Choices**
Young consumers should be encouraged to maintain a balanced approach by combining

cashless convenience with prudent financial planning to avoid excessive dependence on credit-based payments.

Future Research Scope
Future studies may use primary data to empirically test the behavioral implications of cashless and credit-based payment adoption among different categories of young consumers across regions.

11. LIMITATIONS OF THE STUDY

1. **Reliance on Secondary Data:**
The study is based entirely on secondary data obtained from existing literature and reports. While this ensures a broad perspective, the findings depend on the scope and accuracy of previously published sources.
2. **Generalized Consumer Insights:**
The study focuses on young consumers as a broad category, which may not capture variations in payment behavior across different socio-economic or regional groups within this segment.
3. **Rapidly Evolving Payment Ecosystem:**
The digital payment landscape in India is continuously evolving due to technological advancements and regulatory changes. As a result, some findings may require periodic updates to remain fully current.
4. **Lack of Empirical Validation:**
Since the study does not involve primary data collection, the conclusions are conceptual in nature and intended to provide insights rather than statistically tested relationships.

12. Conclusion

The evolution of cashless and credit-based payment systems has significantly transformed the payment landscape in India, redefining the way consumers transact and manage finances. This review-based study examined existing literature to understand the growth of digital and credit-enabled payment mechanisms and their implications for young consumers. The findings indicate that technological advancements, policy support, and widespread smartphone adoption have collectively accelerated the shift from cash-based transactions to digital payment modes. Young consumers have emerged as early adopters of cashless and credit-

based payments due to their digital familiarity, convenience-oriented preferences, and lifestyle-driven consumption patterns. Payment modes such as UPI, digital wallets, and credit-based instruments have enhanced transactional efficiency and financial accessibility. However, the increasing dependence on credit-enabled digital payments has also introduced behavioural challenges, including impulsive spending, reduced financial discipline, and limited awareness of long-term financial obligations.

The study highlights the dual nature of digital payment evolution while it promotes financial inclusion and operational convenience, it simultaneously necessitates responsible usage and enhanced financial literacy among young consumers. Regulatory oversight, transparent credit practices, and consumer education play a crucial role in ensuring sustainable adoption of these payment systems. In conclusion, the shift towards cashless and credit-based payments represents a critical phase in India's digital financial journey. By synthesizing existing research, this study contributes to a deeper understanding of youth-centric payment behaviour and underscores the need for balanced financial practices. Future empirical research can build upon these insights to further explore behavioural outcomes and policy implications in the rapidly evolving digital payment ecosystem.

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