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A STUDY ON IMPACT OF DIGITAL WALLETS ON RETAIL TRANSACTION AND CONSUMER SPENDING

[1] Ms. Desai Mansi, [2] Dr.Ritesh Amarsela
[1]Assistant Professor, Faculty of Management, Faculty of Management,
Drs. Kiran & Pallavi Patel Global University, Vadodara
[2] Associate Professor & Research Supervisor, Faculty of Management, Faculty of Management,
Drs. Kiran & Pallavi Patel Global University, Vadodara
[1]Email Id: desaimansi0408@gmail.com [2]Email Id: riteshamarsela2002@yahoo.co.in

Abstract: *The growth of digital payment systems has significantly converted consumer purchasing Behavior in India. Digital Wallets similar as Google Pay, PhonePe and Paytm, have come popular due to their convenience, speed and availability.*

As in this research, we study on "The impact of Digital Wallets on consumer spending in Gujarat". Here it focuses on mindfulness, operation patterns, perceived security, satisfaction situations, and the influence of digital wallets on spending habits.
Here my data was collected through a structured questionnaire from 204 responders across the state Gujarat. Based on that, findings reveal, "E-wallets appreciatively impact sale effectiveness along with encourage raised spending because of convenience and price-grounded features". Here, enterprise regarding security and also sequestration continue to affect stoner confidence.

Keywords: *Digital Wallets, Consumer Behavior, UPI, Digital Payments, Google Pay, PhonePe, Paytm, Consumer Spending, Gujarat.*

1. INTRODUCTION:

The financial environment in the country has changed radically due to the advent of new digital payment systems that support growth to be cashless. Here, this transformation has been facilitated both by "The increase in the number of people accessing affordable internet and having a smartphone and through initiatives taken by the government to encourage a cashless society". Thus, in India, digital wallets are now becoming more fully integrated into the daily lives of consumers, as more and more consumers are seeking to use contactless methods to pay for their purchases at retail outlets, to pay their monthly utility bills, and for e-commerce purchases.

As explained in my research, digital wallets are mobile platforms that allow consumers to perform financial transactions through either links to their bank accounts or pre-loaded amounts of money in their digital wallets. In India, according to the information I have collected, are Google Pay, PhonePe, and Paytm; each of these solutions provides a wide range of financial services including the ability to make UPI (Unified Payment Interface) transactions, add minutes to their cell phones, pay their monthly utility bills, and pay using their reward points or loyalty points from these apps.

My research is focused on helping provide an understanding of the direct impact of these platforms on individuals' behavior as consumers. To accomplish this, my research will seek to analyze what effects digital wallets have had on consumer spending patterns and how consumers are changing how they shop for goods and services in the state of Gujarat.

2. Literature Review:

The existing body of research provides significant insights into the digital payment landscape within Gujarat. Key studies highlighting consumer awareness and adoption patterns are discussed below:

- (Dellavan, 2025), researchers found the "cashless new world" will have far-reaching implications on consumer engagement and consumer spending based upon the increase of consumers using digital wallets. The study indicates that digital wallets are an effective vehicle in giving consumers greater access and flexibility with their use of digital wallets which will be an important part of managing their financial resources going forward.
- In another study Vyas (2024) studied "how people in Gujarat use digital payments, saying that social media and the Internet are the main ways people learn about digital payment methods". However, the authors indicate that traditional media (TV) does not affect usage rates one bit. Also, they found a link between demographic characteristics-Age and Level of Education-and how hard people have to work to use a digital wallet.
- In another report, Shah and Zala (2021) studied "how much people in Gujarat know about digital payment systems and their opinions on them". In that they found that technology has made it easier for businesses to perform daily transactions. Also, the people of Gujarat know a lot of ways to pay electronically, which indicates that they are ready to use more technology for their finances.
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3. Research Objectives:

- To evaluate the influence digital wallet adoption has on the retail industry.
- To assess consumer opinion and/or perception about adopting/digital wallet.
- To evaluate how the use of digital wallet technology influences consumer spending frequency and total amount.
- To identify the potential security vulnerabilities and privacy barriers associated with using a digital wallet.

4. Research Methodology:

4.1 Research Approach

- A descriptive research approach is used in this research to identify and characterize patterns in the behaviour of consumers. This descriptive research approach is intended to provide a comprehensive profile of transaction patterns and usage of the digital wallet ecosystem.

4.2 Data Collection

For the purpose of research, data were collected from both primary and secondary sources:

- Primary Data: Primary data was obtained by means of a structured questionnaire. The structured questionnaire was created using Google Forms in order to obtain quantitative data from active users.
- Secondary Data: Secondary data was used as a means of providing a theoretical basis and context for the research and consists of reviews of existing literature including: academic journals, articles in the business and financial sectors, respected websites and government issued data from companies providing digital payment service.

4.3 Sampling Framework and Scope

- A convenience sampling method was used to collect data, with a focus on participants who were easily available and who qualified to use a digital wallet.
- There were 204 respondents in total.
- The study focused strictly on the state of Gujarat for the purposes of analyzing the overall digital environment in that region.

5. Data Analysis and Interpretation

Table 5.1

Age	Percentage
Below18	6.9 %
18-24	36.8 %
25-34	29.9 %
35-44	15.2 %
45-54	10.8 %
Above55	0.4 %

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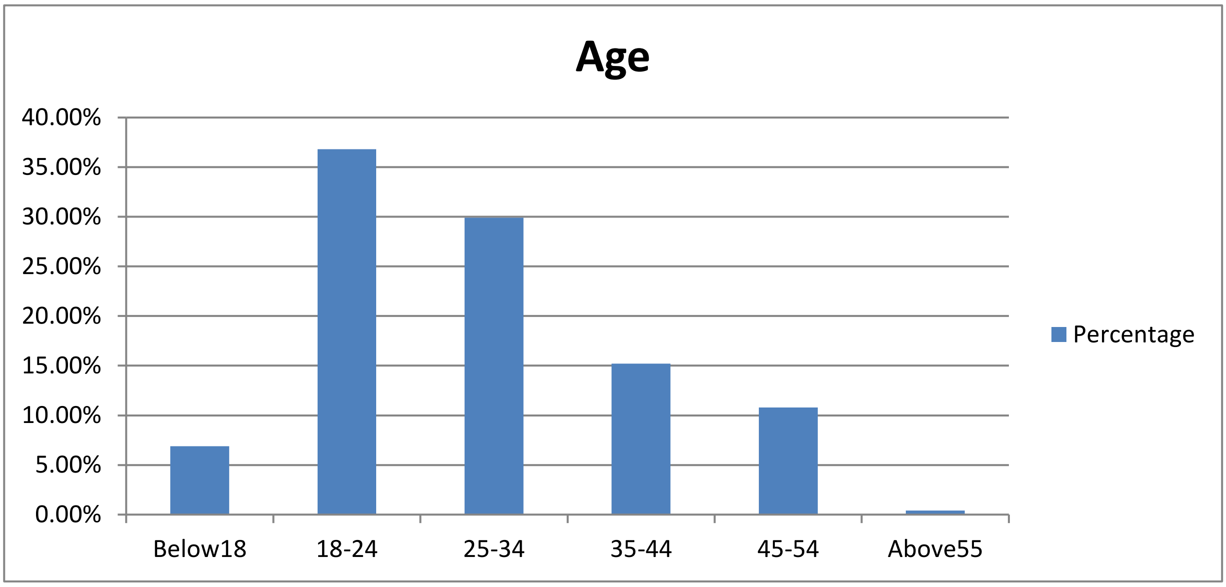

Chart 5.1

- Respondents of this survey represented a wider age range of less than 18 and older than 55 years - broken down into six defined categories.
- The majority of respondents were in the 18 - 24 year category (36.8%), while the second largest category was 25 - 34 year olds (29.9%). This indicates that the overwhelming majority of the respondent sample were younger than 34 years and therefore is important to take into consideration when making assumptions about technology use by older individuals and how that may affect technology usage.

• The survey found that the lower percentages of respondents below 18 years (6.9%) and above 55 years (0.4%) were predominantly from the younger to middle-aged adult.

➢ **How long have you been using digital wallets?**

Table 5.2

Particular	**Percentage**
Less than 6months	17.2 %
6months to 1year	20.1 %
1to 3year	25.5 %
More than 3years	37.3 %

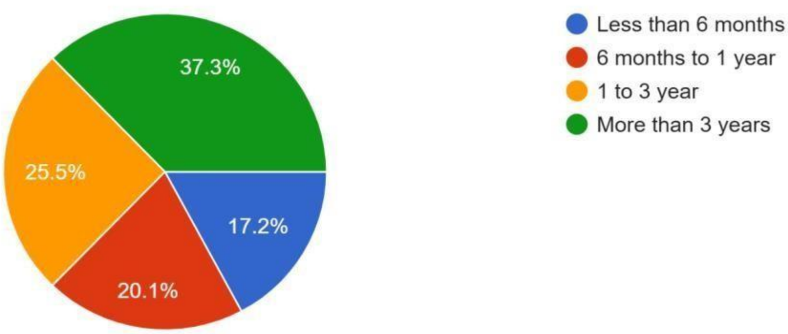

Chart 5.2

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- The amount of time spent using digital wallets varied by respondent; some respondents reported using them for less than six months, while others used them for more than three years. The group that used them for more than three years was the largest, at 37.3%; this indicates that a substantial proportion of users are experienced with this technology. Conversely, there are also a statistically significant number of individuals who have been using them for less than six months and are still adopting them (17.2%).

➢ **What features of digital wallets encourage you to spend more?**

Table 5.3

Particular	Percentage
Convenience	49.5%
Speedo transactions	47.1%
Security	51 %
Rewards/loyalty programs Contactless payments)	31.4 %
Contactless payments	32.8 %
Seamless integration with other applications and websites	21.6 %
24/7 Available	63.7 %

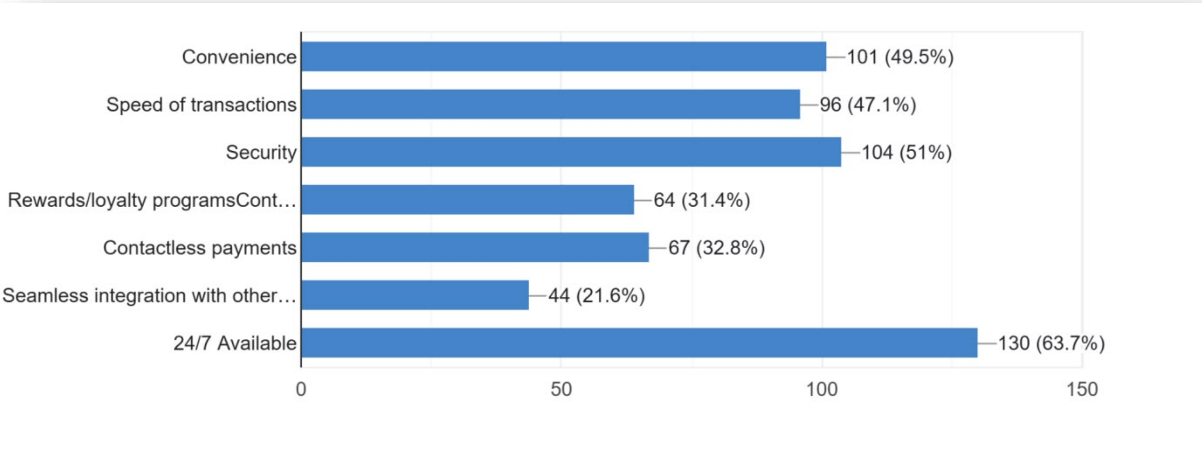

Chart 5.3

- Digital wallets provide numerous features that promote spending. These include 24/7 access (63.7%), safety (51%) and convenience (49.5%). All these features make digital wallets appealing and useful, which can impact how much consumers spend.

➢ **To what extent do you Agree or disagree with the following statement.**

Table 5.4

	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
I tend to feel more comfortable making larger purchases when using digital wallets.	44 %	69 %	53 %	20 %	18%
Digital wallets have enhanced my ability to budget more effectively.	59%	74 %	53 %	15 %	3 %

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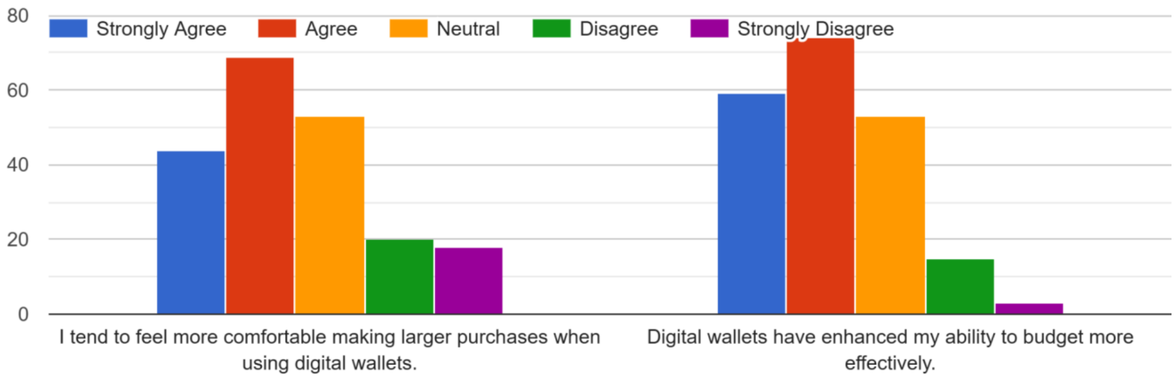

Chart 5.4

- Comfort with Larger Purchases: A significant portion of respondents either strongly agree (44%) or agree (69%) that they feel more comfortable making larger purchases with digital wallets. However, a notable percentage remain neutral (53%), and some disagree (20%) or strongly disagree (18%).

- An even larger percentage of respondents strongly agree (59%) or agree (74%) that digital wallets enhance their ability to budget effectively. Only a small percentage disagree (15%) or strongly disagree(3%), with a substantial number remaining neutral (53%).

6. Findings:

- Respondent Demographics: Survey respondents primarily consisted of young to middle aged adults, with the largest group being 18 - 24 years of age at 36.8% of all respondents. Many respondents reported having a Bachelor's Degree (37.3%) or Master's Degree (27.9%).
- Digital Wallet Use: A large number of respondents (96.6%) currently use a digital wallet; while over a third of respondents have been using a digital wallet for over three years (37.3%); and the majority use their digital wallet on a daily basis (42.6%).
- Purpose of Use: Respondents are primarily using their digital wallets for purchasing from online retailers (70.6%), shopping at brick-and-mortar retail locations (55.4%), and purchasing food and beverages (70.6%).
- Spending Impact: Respondents believe that using digital wallets has resulted in them spending more money than if they did not use a digital wallet, with 52.5% of all respondents in agreement with this statement.
- Satisfaction and Security: The majority of all respondents (45.6%) are either very satisfied or satisfied with their current use of a digital wallet; while there is a divided opinion concerning how secure users view their digital wallet, with 34.3% considering it very secure and 27.5% remaining neutral about the level of security provided by the digital wallet.
- Factors Impacting Adoption: The most important factor that would increase the likelihood of future digital wallet use is an improvement in the security features associated with digital wallets, as indicated by 60.3% of respondents.
- Future Intentions: Survey respondents are overwhelmingly likely to continue using their digital wallet for retail transactions (88.8%).

7. Conclusion:

This study confirms that digital wallets have transformed the way consumer payments are done throughout Gujarat and have been very quickly adopted due to their convenience, widespread availability, and ability to process transactions in real time. As a result, there has been an increase in the number of traditional retail transactions and digital transactions.

On the other hand, there is a dual reality as customer satisfaction with the technology is high but there is significant ongoing concern around issues related to data privacy, the risk of fraudulent transactions, and the safety of transactions in general. These characteristics will be particularly important for establishing long-lasting confidence in consumers' commitment to digital wallet payments. For digital wallet service providers to continue driving growth and building long-term loyalty, they must focus on enhancing their security measures and working to close the trust gap between themselves and their customers.

8. Recommendations:

The following actions are recommended in order to enhance the digital payments ecosystem and create sustained user growth:

- To reinforce the security infrastructure, service providers must focus on implementing sophisticated encryption methods and multi-factor authentication to lower the potential fraud risk and provide better protection for users' data.
- To promote digital literacy, stakeholders must initiate special campaigns designed to educate consumers on their safe transaction practices and how to recognize phishing attempts.
- To improve support channels, it is critical that service providers develop more responsive and efficient systems for addressing customers' grievances; this will help maintain customer confidence in using digital payment services.
- To improve loyalty and encourage longer-term use of platforms, service providers should implement more structured loyalty programs and personalized cash back offerings.
- To strengthen integration between digital wallets and personal financial management tools (e.g., budgeting or investment tools), an improved relationship between the two will help to provide a comprehensive financial experience for all users.

9. Limitations of the Study:

This study offers many relevant findings but also has several limitations which should be noted:

- Geographic Limitations: This research is limited in terms of geographical region to the State of Gujarat only, thus making it difficult to broadly apply/reproduce the findings of this study across other regions with different economic and social conditions.
- Methodological Limitations: The sampling for this study was done based on convenience sampling leading to the potential for selection bias given that the sample may not have represented fully all of the various demographics and types included in the total population from which this sample was drawn.
- Temporal Limitations: A consumer's behavior for products offered in the fintech industry is constantly changing due to the fast-paced nature of technology's development and changing markets/consumer preferences so it is very likely that consumer behavior will be different than when data was collected for this study.

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