



# DIGITAL PAYMENT APPS AND IMPULSE BUYING: ANALYSING SPENDING BEHAVIOURS AMONG UNIVERSITY STUDENTS

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## ABSTRACT

Recent advancements in digital payment applications have transformed the financial behaviour patterns of present-day youth students who are undertaking undergraduate studies. Students from educational centers across Bangalore are leaving behind cash transactions while adopting mobile wallets and Unified Payments Interface (UPI) applications and Buy-Now-Pay-Later (BNPL) payment methods. The implementation of digital payments introduced a convenience-based lifestyle along with worrying problems of impulsive spending and bad financial behaviour among young adults who lack financial experience. Undergraduate students' impulse buying behaviour will be studied through a research investigation of digital payment apps' accessibility features. This research analyses essential elements which include how often students use apps together with behavioural triggers found within the app such as quick payments and instant credits and promotional alerts and their effects on budgeting methods and repayment anxiety. A structured questionnaire was distributed to 64 students enrolled at undergraduate level in Bangalore who were selected through purposive sampling. The research used descriptive analysis to interpret the collected data which incorporated both quantitative measurements and qualitative feedback obtained from open-ended questions. The research shows that students who use digital payment platforms frequently demonstrate higher impulsive buying habits especially when they lack financial planning skills. Financially literate students showed responsible borrowing behaviour and lower stress levels while also demonstrating better budgeting skills. The research shows how fintech technologies provide simple financial solutions but simultaneously creates problems when used by people who lack guidance. The paper ends by advocating for prompt implementation of financial literacy programs into college curricula and proposes to include educational resources directly in digital payment systems for promoting responsible financial conduct.

**KEYWORDS:** Digital Payment Applications, UPI, Impulse Spending, Undergraduate Students, BNPL, Financial Literacy, Borrowing Behaviour, Digital Payment systems.

## 1. INTRODUCTION

The rapid proliferation of smartphone-based payment solutions has fundamentally transformed the way undergraduate students manage and execute financial transactions. Digital payment apps—ranging from Unified Payments Interface (UPI) wallets like Google Pay and PhonePe to Buy-Now-Pay-Later (BNPL) services such as Simpl and ZestMoney—offer unparalleled convenience and speed, eliminating much of the “pain of payment” associated with cash transactions. While this seamless user experience has driven widespread adoption among young urban populations, it also raises concerns about unplanned, impulsive spending and the long-term financial health of students who may lack formal budgeting skills.

### 1.1 Background

Historically, student spending was constrained by limited cash allowances and formal banking processes that required in-person visits and extensive documentation. The advent of digital wallets in the early 2010s lowered these barriers, enabling students to transfer funds, pay for food, entertainment, and even small credit purchases with a single tap. This shift has coincided with a broader “cashless” movement in India, where Bangalore—home to a dense network of higher-education institutions and a thriving fintech ecosystem—serves as a

natural laboratory for examining how tech-driven payment methods influence consumer behaviour among undergraduates.

### 1.2 Historical Development

- **Pre-2010:** Student access to credit and non-cash payment was minimal; campus bookstores and canteens largely operated on cash-only models.
- **2010–2015:** Early fintech entrants introduced mobile banking and digital wallets, but uptake was limited by low smartphone penetration and regulatory hurdles.
- **2016–2020:** Platforms such as Google Pay, PhonePe, mPokket, and Slice gained traction, leveraging UPI and simplified KYC to offer peer-to-peer transfers and small-ticket credit products.
- **2021 onward:** Enhanced features—gamified rewards, BNPL schemes, real-time spending analytics, and in-app reminders—have further reduced payment friction, but also intensified the temptation for impulse purchases.

### 1.3 Definition and Key Terms

- **Digital Payment Apps:** Mobile applications that facilitate electronic financial transactions, including peer-to-peer transfers, merchant payments, and short-term credit disbursements without collateral.



- **Impulse Buying:** Unplanned, spontaneous purchases made without prior budgeting or consideration of future financial obligations.
- **Financial Literacy:** The knowledge, skills, and confidence to make informed decisions about budgeting, saving, borrowing, and managing credit.
- **Undergraduate Students:** Individuals enrolled in bachelor's degree programs, typically aged 17–24, who maintain limited personal incomes and are developing independent financial behaviours.
- **Budgeting Practices:** The systematic planning and tracking of income and expenditures to achieve financial goals and avoid overspending.

#### 1.4 Research Gap

Existing literature has extensively examined general consumer impulse buying and the technical architecture of digital payment platforms; however, empirical insights into how these tools reshape undergraduate students' budgeting practices and spending discipline remain sparse. Few studies isolate the effect of specific app features (e.g., one-tap checkout, push notifications, gamified rewards) on impulsive purchases, and the moderating role of financial literacy in this dynamic is almost entirely unexplored. Moreover, most research aggregates broad consumer samples, leaving a critical gap in understanding the unique risk-reward profile of young, smartphone-savvy borrowers with limited formal financial education.

#### 1.5 Research Objectives

1. **To assess** the frequency and primary motivations behind university students' use of digital payment apps.
2. **To examine** the impact of digital payment convenience on students' impulse buying tendencies and overall budgeting habits.
3. **To investigate** how financial literacy moderates the relationship between payment-app usage and impulsive spending.
4. **To identify** which app features most strongly trigger unplanned purchases.
5. **To evaluate** the levels of financial stress and challenges in expense tracking among student users.
6. **To propose** targeted recommendations for integrating financial education into both app interfaces and university curricula.

## 2. MATERIALS AND METHODS

### 2.1 Step-by-Step Procedure

- **Questionnaire Development:** A structured questionnaire was developed and divided into five key sections: Demographics, Digital App Awareness, Usage Behaviour, Spending and Financial Practices, and Open Feedback.
- **Sampling and Data Collection:** Responses were collected from 64 undergraduate students in Bangalore using purposeful sampling. The questionnaire was distributed using Google Forms.

- **Data Cleaning:** Incomplete responses and logically inconsistent entries were removed. Only fully completed forms were included.
- **Quantitative Analysis:** Descriptive statistics such as percentages and frequency distributions were used. Cross-tabulations helped understand relationships between variables.
- **Qualitative Analysis:** Open feedback was thematically coded to capture insights on repayment stress, convenience, and calls for financial guidance.

### 2.2 Resources

- **Primary Data:** Responses from 64 undergraduate students.
- **Tools:** Google Forms (data collection), Microsoft Excel (data analysis).
- **References:** Prior studies and expert-reviewed literature on digital finance, financial literacy, and consumer behaviour.

## 3. RESEARCH METHODOLOGY

### 3.1 Research Design

The present research is based on a descriptive and analytical design, aiming to study the relationship between digital payment app usage and impulse buying tendencies among undergraduate students. The study seeks to identify behavioural patterns influenced by digital lending platforms and to assess the level of financial awareness among the respondents. The quantitative approach facilitated the collection of measurable data through a structured instrument.

### 3.2 Sources of Data

The study relies exclusively on primary data. Responses were gathered through a structured questionnaire distributed to undergraduate students enrolled in various degree programs across Bangalore. The data was collected in digital form using Google Forms to ensure ease of access and accurate recording of responses. Secondary data in the form of literature reviews and previous studies was referred to for conceptual grounding but not included in the empirical dataset.

### 3.3 Area of Study

The geographical focus of the study is Bangalore city, Karnataka, a major educational and technology hub where digital finance usage among youth is widespread. Students from multiple institutions within the city were approached to participate, covering a variety of academic disciplines and financial backgrounds.

### 3.4 Sample Size and Sampling Technique

A total of 64 responses were collected from undergraduate students using a purposive sampling technique. The sample was designed to ensure that:

- 70% of respondents were from B. Com programs, reflecting the commerce-centric relevance of the study.
- 65% of the sample comprised male respondents, ensuring diversity while maintaining representativeness.



- Students were distributed across four age groups: below 18, 18–20, 21–23, and above 23, with the majority (73.4%) falling in the 18–20 age bracket.

### 3.5 Tools of Analysis

The collected data was tabulated and analysed using Microsoft Excel based tools for descriptive analysis. Basic statistical tools such as frequency distribution, percentages, and cross-tabulations were used to interpret the findings. Visual aids such as pie charts and bar graphs were used to support the analytical narrative.

## 4. RESULTS AND DATA ANALYSIS

To analyse the impact of digital payment apps on impulse buying behaviour among university students, data was collected through a structured questionnaire and responses were recorded from 64 students across various undergraduate programs in Bangalore. The data was analysed using descriptive statistics, focusing on key variables like age group, gender, course of study, awareness and usage of digital lending platforms, frequency of use, and behavioural responses related to impulsive spending, financial literacy, and stress.

### 4.1 Demographic Profile of Respondents

Out of 64 respondents, 65.6% were male and 34.4% were female. A large proportion (70%) of the sample were B. Com students, ensuring adequate representation from commerce backgrounds. Age-wise, the majority (73.4%) fell into the 18–20 years category, followed by 18.7% in 21–23 years, 4.7% below 18, and 3.1% above 23. Most respondents were in their 1st and 2nd year of study.

### 4.2 Awareness and Usage of Digital Lending Platforms

A significant 93.7% of respondents were aware of digital lending platforms such as mPokket, KreditBee, Slice, etc. Among them, 78.1% had used these platforms at least once. The most commonly used apps were mPokket, KreditBee, and CASHe. Usage was highest for personal and emergency needs (42%), followed by educational expenses (26%), and lifestyle or shopping purposes (23%).

### 4.3 Frequency of Use and Comfort with Loans

About 29% of respondents reported using digital lending apps frequently (at least once a month), while 48% used them occasionally. Only 22% reported rare or no use. When asked about comfort with taking small loans (up to ₹10,000), 58% rated themselves as comfortable (rating 4 or 5), indicating a high level of credit acceptance.

### 4.4 Repayment Behaviour and Financial Discipline

Regarding repayment behaviour:

- 31% always repaid on time
- 28% repaid often
- 27% repaid sometimes
- Only 14% reported rare or no repayment discipline

63% of respondents stated they track their monthly expenses, showing some level of financial responsibility. However, 28% reported facing challenges with loan repayment, often linked to irregular allowances or unexpected expenses.

### 4.5 Change in Spending Behaviour

Digital lending appears to influence student spending patterns:

- 34.4% admitted to spending more impulsively
- 31.3% said they spent more cautiously
- 34.3% observed no significant change

This suggests that while lending platforms offer convenience, they can promote impulsive spending among a substantial number of users.

### 4.6 Financial Literacy and Perceived Stress

When asked about their financial knowledge:

- 59.4% rated themselves moderately to highly financially literate (ratings 4 or 5)
- 40.6% showed lower confidence (ratings 1–3)

On the stress scale related to managing repayments, most students rated their stress between 2 and 4, with only 6% rating it as extremely stressful (5).

### 4.7 Perceptions on the Need for Financial Education

A compelling 92% of respondents agreed that students should receive basic financial education before accessing digital credit. Many felt that features such as repayment reminders, expense tracking, and credit history helped in responsible usage, while push notifications and BNPL options were seen as encouraging impulsivity.

## 5. DISCUSSION AND INTERPRETATION

The findings from this study provide a deeper understanding of how digital payment and lending platforms influence impulse buying and financial behaviour among undergraduate students. The results are indicative of broader financial trends within the student community and align with current shifts in consumer habits driven by technological convenience.

### 5.1 High Awareness, Moderate Usage

The study reveals a **high awareness rate (95.3%)** of digital lending platforms, demonstrating the increasing penetration of fintech apps among students. However, actual usage (59.4%) is moderate, suggesting that awareness does not directly translate to adoption. This could be attributed to mixed perceptions of trust, limited need, or cautious behaviour among first-time borrowers.

### 5.2 Personal and Lifestyle Needs Drive Borrowing

Interestingly, **personal and emergency needs (47.4%)** and **lifestyle-related expenses (31.6%)** are the top reasons for borrowing. Only 10.5% use these platforms for **educational expenses**, indicating a shift in credit motivation from academic necessity to discretionary consumption. This supports the concern that digital loans may be facilitating impulsive, non-essential purchases, especially among students with limited financial planning experience.

### 5.3 Impulse Spending and Credit Comfort

A considerable **28.9% of users acknowledged impulsive spending**, which aligns with the convenience-driven nature of digital platforms. Features such as **one-tap payment, instant approvals, and BNPL (Buy Now Pay Later)** offers are known to reduce the psychological friction associated with traditional purchases, thereby increasing unplanned buying.



Moreover, **over half of the students rated moderate to high comfort** with taking loans under ₹10,000. This suggests a normalization of short-term borrowing among students, potentially forming habitual financial behaviour that could extend beyond college.

#### 5.4 Repayment Patterns and Financial Discipline

Repayment behaviour is varied, with **only 18.4% always repaying on time**. While the majority manage repayments occasionally or often, the presence of **21.1% who rarely or never repay on time** raises concerns about credit discipline and long-term financial risk. On a positive note, **59.4% of students track their monthly expenses**, indicating some level of budgeting consciousness.

Still, **nearly one-fourth faced repayment challenges**, reflecting the vulnerability of students who rely on irregular or limited incomes. These difficulties may contribute to stress and future borrowing avoidance or, conversely, to dependency on short-term credit cycles.

#### 5.5 Mixed Impact on Spending Behaviour

The data shows a split impact on financial behaviour:

- 34.2% reported more cautious spending (possibly as a result of debt exposure),
- 28.9% reported more impulsivity,
- and 36.8% claimed no change.

This mixed response indicates that while some students use credit responsibly, others may lack the financial maturity to regulate usage effectively. It reinforces the importance of evaluating individual financial literacy before offering credit products to young users.

#### 5.6 Financial Literacy and Perceived Stress

The self-reported financial literacy scores indicate that only **29.7% of students feel highly confident** managing their finances. Paired with moderate to high stress levels during repayment (25% reported the highest stress level), it becomes evident that students lack both the knowledge and emotional readiness to manage digital loans efficiently.

#### 5.7 Need for Financial Education

The overwhelming agreement (73.4% rating 4 or 5) on the **need for financial education** reflects students' acknowledgment of this gap. Students are aware that without proper guidance, the convenience of digital lending can turn into a financial burden. This underscores the relevance of integrating basic financial literacy into university curricula and app-based credit services.

## 6. CONCLUSION AND SUGGESTIONS

### 6.1 Conclusion

This study explored the influence of digital payment and lending platforms on the impulse buying behaviour of undergraduate students in Bangalore. The findings reveal that while awareness of digital lending apps is almost universal, actual usage is moderate and driven largely by personal, lifestyle, and emergency needs. Educational expenses, surprisingly, accounted for only a small fraction of borrowing, signalling a shift in credit motivation among students.

Although a portion of students reported cautious spending behaviours, a significant number admitted to increased

impulsivity facilitated by the ease and speed of digital lending apps. While features such as one-tap payments and BNPL options enhance convenience, they also reduce spending inhibition, contributing to spontaneous purchasing behaviour.

The study also highlighted a mixed repayment culture, with less than one-fifth of users consistently repaying on time and nearly a quarter facing repayment challenges. Despite this, more than half of the students exhibited basic financial discipline by tracking their monthly expenses. Notably, most students expressed high stress levels regarding loan repayment and acknowledged gaps in their financial knowledge.

It is evident that while digital credit platforms offer practical benefits to students in managing short-term financial needs, they also introduce risks of poor financial management and debt accumulation. The balance between accessibility and responsibility remains a key concern.

### 6.2 Suggestions

Based on the study's findings, the following suggestions are made:

1. **Integration of Financial Literacy Programs:** Colleges and universities should integrate structured financial education modules into their curriculum. These should cover budgeting, credit management, loan repayment strategies, and the psychological effects of impulse buying.
2. **In-App Financial Awareness Tools:** Digital lending platforms should embed budgeting tools, repayment simulators, and financial literacy resources within their apps to help young users make informed borrowing decisions.
3. **Usage Limits and Credit Caps for Students:** Lenders can implement credit limits or transaction caps for student accounts to reduce the risk of excessive or impulsive borrowing, especially for lifestyle-related expenses.
4. **Repayment Reminder Systems and Incentives:** Platforms should enhance their notification systems to include personalized reminders and even incentives (such as interest discounts) for on-time repayments to encourage responsible behaviour.
5. **Collaborations Between Fintech Firms and Educational Institutions:** Partnerships between universities and digital finance companies could enable safer lending practices, such as verified educational loans and financial counselling for students.
6. **Regular Monitoring and Research:** Further research should be conducted periodically to monitor trends in digital borrowing and spending behaviour among students, especially as fintech features evolve rapidly.

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