

## Digital India and the Decline of Cash: Study of Urban Payment Habits

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<p><b>Type:</b> Article <b>Received:</b> 22 March 2026 <b>Revised:</b> 18 April 2026 <b>Accepted:</b> 06 May 2026 <b>Published:</b> 29 May 2026</p>	<p>The "Digital India" initiative has catalyzed a significant transformation in India's financial ecosystem, shifting urban populations from a traditional "cash-loving" culture toward digital alternatives. The main aim or objective of this paper is to know and understand changing payment habits among urban consumers, specifically examining the drivers of digital adoption and the factors sustaining continued cash usage. For this paper descriptive research design was used by us, primary data was collected with the help of structured questionnaire form where responses were collected from a convenience sample of 100 urban respondents in Pune, supplemented by secondary data from the RBI and NPCI. Key findings reveal a dominant shift: 65% of respondents "always" use digital payments, with UPI being the preferred method for 92% of users due to its speed and convenience. However, a "cash-light" reality persists, as 43% still use cash "sometimes" due to cybersecurity fears, digital illiteracy, or merchant non-acceptance. All these results shows that while India is modernizing rapidly; further efforts in security infrastructure and mostly in digital payment literacy is need of an hour for a fully inclusive digital economy.</p> <p><b>Keywords:</b> Digital India; Cashless Economy; UPI; Urban Consumer Behavior; Financial Inclusion; Cybersecurity.</p>

### How to Cite This Article

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## Introduction

Universal financial ecosystem is undergoing a rapid transformation with the rising adoption of digital payment systems, driven by technological advancements, smartphone penetration, and supportive government policies. In recent years, countries around the world have witnessed a shift from traditional cash transactions to online modes like e-wallet, contactless cards, and real-time payment systems. India, in particular, has emerged as a global leader in digital payments, with the Unified Payments Interface (UPI) processing billions of transactions monthly. This transformation reflects a broader move toward a more transparent, efficient, and inclusive financial system, making digital payments a critical component of modern economic infrastructure.

Despite this rapid growth, the transition from cash payment to digital payments is not uniform, especially in urban India where both systems coexist. One side where digital payments offer advantages such as easy convenience, speed, and ease of use, a significant portion of consumers continues to rely on cash for certain transactions. This creates a “cash-light” economy rather than a fully cashless one. Several challenges contribute to this phenomenon, including concerns related to cybersecurity, gap or limited exposure to digital literacy, inconsistent internet connectivity, and limited exposure to accept digital payments in small vendors. Understanding why consumers continue to use cash despite having access to digital alternatives remains a key issue for policymakers and financial institutions.

Previous research has extensively examined the rise of digital payment systems and the important role of various initiatives such as Digital India, demonetization, and fintech innovations in accelerating adoption. Studies have highlighted different parameters or factors such as perceived usefulness, ease of use, trust, and incentives as major drivers of digital payment adoption. Institutional reports from organizations like the RBI and the NPCI also emphasize the exponential increase in digital transaction volumes and the success of platforms like UPI. However, much of the existing literature focuses on macro-level trends or technological aspects, with limited emphasis on localized, consumer-centric behavioral patterns.

A significant research gap therefore exists in understanding the behavioral dynamics of urban consumers, particularly the coexistence of cash and digital payment methods. If we looked at some previous studies that have explored adoption factors, there is limited research examining why individuals continue to use cash alongside digital payments despite widespread access and awareness. This gap is important because achieving a fully inclusive and sustainable digitally strong economy requires not only technological advancement but also a deep understanding of user behavior, trust, and habit formation.

In this context, this study mainly aims to analyze the changing payment habits of urban consumers, with a focus on identifying the key factors driving digital payment adoption as well as the reasons for the continued use of cash. The objectives of the study are: (1) to understand the reasons for the decline in cash transactions, (2) to search and find out the most popular digital payment methods, and (3) to examine the pros of digital payments from a user perspective. Coming section reviews existing literature, followed by research methodology, data analysis and results, discussion, and conclusion.

### Objectives of the study

1. To understand the reasons for the decline in cash transactions
2. To find out popular e-payment modes.
3. To study the advantages of digital payments from a user perspective

### Literature Review

#### *Theoretical Foundations of Digital Payment Adoption*

The use or adoption of digital payment systems has been explained by using already established theory based frameworks such as the Technology Acceptance Model and the Unified Theory of Acceptance and Use of Technology. According to TAM, perceived usefulness and perceived ease of use are the primary determinants influencing an individual’s acceptance of technology. If we think from the context of digital payments, users are more likely to adopt platforms such as UPI and mobile wallets when they perceive them as efficient, convenient, and time-saving.

Similarly, the UTAUT framework extends this understanding by incorporating factors such as social influence, facilitating conditions, and performance expectancy. Various studies or reports have shown that social norms, peer influence, and the availability of technological infrastructure significantly affect the adoption of digital payment systems. These theoretical models provide a strong foundation for understanding how consumers evaluate and adopt digital financial technologies, particularly in emerging economies like India where rapid digital transformation is taking place.

### *Determinants of Digital Payment Adoption*

A substantial body of research has focused on identifying the key factors influencing the adoption of digital payment systems. Prior studies consistently highlight convenience, speed, ease of use, and accessibility as major drivers of adoption. The introduction of UPI has significantly enhanced user experience by enabling instant, real-time transactions, thereby increasing user preference for digital payments instead of traditional methods.

Trust and security are also critical determinants. Research shows that users are likely to adopt digital payment platforms when they perceive them as secure and reliable. Factors such as encryption, authentication mechanisms, and regulatory support is an important thing in building consumer confidence. Additionally, financial incentives such as cashback offers, discounts, and rewards have been found to positively influence user adoption, especially among younger demographics.

Another important factor is digital literacy and awareness. Studies suggest that individuals with higher levels of technological knowledge are more inclined to use digital payment systems. In contrast, lack of awareness and limited digital skills act as barriers, particularly among older populations and less technologically exposed groups.

### *Challenges and Barriers to Digital Payment Adoption*

Despite the fast and rising of digital payments, several challenges continue to hinder their widespread adoption. Important significant barriers is cybersecurity concerns, including fear of fraud, hacking, and data privacy issues. These concerns often lead to decline or low trust among users, particularly when dealing with high-value transactions.

Another major challenge is infrastructure-related limitations, like poor internet connectivity and other technical issues. Inconsistent network availability can disrupt transactions, reducing user trust and satisfaction. Additionally, the digital divide—like unequal access to smartphones, internet services, and digital skills—remains a critical issue, limiting the inclusiveness of digital payment systems.

Another important factor is the acceptance of digital payments by merchants. Small businesses and local vendors may be reluctant to adopt digital systems due to cost concerns, lack of awareness, or preference for cash transactions. As a result, consumers are often required to switch between cash and digital modes depending on the situation

### *Digital Payment Adoption in the Indian Context*

Digital transactions have gained popularity in India following projects like Digital India, demonetization, and even the implementation of the UPI system which has made digital payments easier through an efficient and convenient medium.

From the findings and analysis from studies and researches, it can be said that urban areas have adopted digital payment systems faster than rural areas owing to the higher level of awareness and technological access. Consumers now utilize digital media for online shopping, payments, and even booking services.

It is interesting to note that India is not a totally cashless economy; however, it is transitioning into one in which digital transactions and cash exist side by side. Users who rely on digital transactions still utilize cash for certain transactions when necessary.

### *Research Gap*

Despite the availability of several empirical studies that offer important information on the development and implementation of digital payment instruments, most of the researches have been directed towards the overall trend and the technical aspect rather than on the personal decision-making process in choosing either cash or digital payments.

Particularly, there is little information regarding the phenomenon of the coexistence of cash with digital payments despite its relevance. It should be noted that the analysis of personal behavior and preference, including individual habit, situation, and risk perception, will help in understanding the phenomenon.

Thus, the present study seeks to explore the payment preference of urban consumers through which the growing trend of digital payment usage and the relevance of cash payments will be discussed.

### *Hypothesis Development*

- H<sub>0</sub>: There is no significant relationship between cash usage and digital payment usage.
- H<sub>1</sub>: There is a significant relationship between cash usage and digital payment usage.

## **Research Methodology**

### *Research Philosophy*

This research is based on the positivism research philosophy, which focuses on objective measurement and quantitative analysis of observable phenomena. The study aims to analyze consumer payment behavior using structured data collected from respondents, making positivism an appropriate approach.

### *Research Approach*

The research follows a deductive approach, where existing theories related to technology adoption and consumer behavior are used to decide and modify the research hypotheses, which are tested using the empirical data.

### *Research Design*

A descriptive research design has been adopted to examine and describe the payment habits of urban consumers. This design is suitable as it allows for the systematic analysis of preferences, behaviors, and patterns related to digital and cash payments.

### *Data Type*

The study is based on both:

- Primary data collected through a structured questionnaire
- Secondary data obtained from reports published by institutions such as the Reserve Bank of India (RBI) and the National Payments Corporation of India (NPCI)

### *Population and Sample*

The target population for the study includes urban consumers such as students, salaried employees, and self-employed individuals who regularly engage in financial transactions.

A sample of total 100 respondents was selected with the help of convenience sampling system or method, which is based on accessibility and willingness to participate. Although convenience sampling may limit generalizability, it is appropriate for exploratory behavioral studies in urban settings.

### *Research Instrument*

The primary research instrument which was used during this study was a structured questionnaire divided into total four sections:

- Section A: Demographic details
- Section B: Payment habits
- Section C: Preferences and perceptions
- Section D: Opinions and suggestions

This questionnaire was created or made to know and ensure clarity and ease of response, enabling accurate data collection.

### *Reliability and Validity*

Efforts were made to ensure content validity by designing the questionnaire based on relevant literature and research objectives.

However, due to time and resource constraints, advanced statistical validation techniques such as Cronbach's Alpha and factor analysis were not applied. This is acknowledged as a limitation of the study.

### *Statistical Tools Used*

The collected data was analyzed by us by using below tools

- Descriptive statistics (percentages and frequency analysis)
- Chi-square test of independence to examine the relationship between cash usage and digital payment usage

This data analysis was performed using Microsoft Excel.

## **Data Analysis and Results**

### *Demographic Profile*

The demographic characteristics of the respondents are summarized in Table 1.

Table 1: Demographic Profile of Respondents (N = 100)

Variable	Category	Percentage (%)
<b>Age</b>	Below 20	7.0
	20–30	80.2
	31–40	7.0
	41–50	3.5
	Above 50	2.3
<b>Gender</b>	Male	45.3
	Female	54.7
<b>Occupation</b>	Student	66.3
	Salaried Employee	23.3
	Business/Self-employed	5.8
	Homemaker	1.2
	Retired	2.3
	Other	1.2

*Payment Usage and Preference*

The usage pattern of cash and digital payments is presented in Table 2.

Table 2: Payment Usage and Preference

Category	Cash (%)	Digital Payments (%)
Always	15	65
Frequently	17	25
Sometimes	43	4
Rarely	23	6
Never	2	0

*Factors Influencing Payment Behavior*

The key factors influencing the preference for digital payments and continued use of cash are summarized in Table 3.

Table 3: Factors Influencing Payment Preference

Factor	Digital Preference (%)	Cash Preference (%)
Convenience and Speed	73	—
Safety and Security	57	—
Record Keeping	52	—
Reduced Need to Carry Cash	49	—
Cashback/Discount Offers	34	—
Limited Vendor Acceptance	—	31

Poor Internet Connectivity	—	29
Habit/Comfort	—	16
Fear of Fraud/Hacking	—	15
Lack of Digital Literacy	—	9

### *Issues in Digital Payment Usage*

Table 4 presents the proportion of respondents who reported and those who are experiencing problems with digital payments.

*Table 4: Issues in Digital Payments*

<b>Response</b>	<b>Percentage (%)</b>
Yes	67
No	31

### *Viewpoint of Cashless Economy and Improvement Areas*

Respondents' perceptions regarding the future of a cashless economy and suggested improvements are shown in Table 5.

*Table 5: Perception and Suggested Improvements*

<b>Category</b>	<b>Percentage (%)</b>
Cashless Economy Perception	
Yes, very soon	35
Yes, but it will take time	52
Not sure	13
Suggested Improvements	
Better Security and Fraud Protection	79
Awareness and Education	65
Better Internet Connectivity	53
Wider Acceptance Among Vendors	40
Incentives (Discounts/Cashback)	34

### *Hypothesis Testing*

To find out the relationship between cash usage frequency and digital payment usage frequency, a Chi-Square Test of Independence was conducted.

- Chi-square value ( $\chi^2$ ) = 18.607
- Degrees of freedom (df) = 12
- p-value = 0.098

Since the p-value (0.098 > 0.05), the result is not statistically significant.

### *Decision*

- Null Hypothesis ( $H_0$ ): Accepted
- Alternative Hypothesis ( $H_1$ ): Rejected

The data does not provide enough evidence to conclude that people who use digital payments more frequently are using cash less. Many respondents continue to use a combination of both payment modes depending on their convenience, type of transaction, habit, trust, or availability of digital options. This indicates that the reduction in cash usage is not solely caused by increased digital payment activity.

## Discussion

In the discussion part, it is important to see what overall study shows. It indicates a significant shift in payment behavior among urban consumers, with a strong preference for digital payment methods over cash. The high adoption rate of digital payments, particularly UPI (92%), matches with existing literature that emphasizes the role of convenience, speed, and ease of use as key drivers of technology adoption. This supports the theoretical foundations of the TAM, where usefulness and ease of use significantly influence user behavior.

The study also reveals that 91% of respondents prefer digital payments, which is consistent with prior studies highlighting the growing dominance of digital transactions in urban India. The widespread use of digital payments for everyday activities such as online shopping, grocery purchases, and transportation further reflects the integration of fintech solutions into daily life. These findings are in line with institutional reports from the Reserve Bank of India (RBI) and the National Payments Corporation of India (NPCI), which document the rapid growth of digital payment systems in the country.

However, despite this strong adoption, the study confirms the persistence of a “cash-light” economy rather than a completely cashless one. A considerable proportion of respondents continue to use cash occasionally, primarily due to factors such as limited acceptance among small vendors, poor internet connectivity, and habitual reliance on cash. These findings are consistent with previous research that identifies infrastructural limitations and behavioral resistance as key barriers to full digital adoption.

Security concerns also emerged as a critical factor influencing user behavior. Although digital payments are generally perceived as safe, the presence of cybersecurity risks and fear of fraud continue to affect user confidence. This observation supports earlier studies that emphasize trust and perceived risk as significant determinants in the adoption of financial technologies.

An important finding of this study is the lack of a statistically significant relationship between cash usage frequency and digital payment usage, as indicated by the Chi-square test results. This suggests that increased use of digital payments does not necessarily lead to a proportional decline in cash usage. Instead, consumers tend to use both payment methods simultaneously based on situational convenience and transaction context. This highlights the coexistence of cash and digital systems rather than a direct substitution effect.

From a theoretical perspective, the study contributes to existing literature by reinforcing the importance of behavioral and contextual factors in technology adoption. From a practical standpoint, the findings suggest that policymakers and financial institutions should focus on improving digital infrastructure, enhancing cybersecurity measures, and increasing awareness to build trust among users. Additionally, encouraging wider acceptance of digital payments among small vendors can play a crucial role in accelerating the transition toward a more inclusive digital economy.

## Conclusion

The study was therefore meant to evaluate the effects that the Digital India scheme has had on the payment behavior in urban areas with particular emphasis placed on digital versus cash payments. The results show that people living in urban areas have shown an increased preference towards digital transactions due to their convenience, quickness and easy usability. The common use of UPI as the most preferred payment system underscores this trend.

The research, however, shows that India is presently making the transition into becoming a “cash-light” economy and not a cashless economy. In spite of increased digitization, cash transactions are still popular based on lack of acceptance by the small traders, unreliable Internet services and habits among other issues. Another factor that affects users is safety concerns about online transactions.

On a theoretical level, the research supports prior technology adoption studies by demonstrating how behavioral and contextual aspects play a significant role in determining people’s payment behavior. On an applied level, the results indicate that in order to increase the pace of digitalization, it is important for stakeholders to invest in developing digital infrastructure, improving cybersecurity, boosting digital literacy, and expanding merchant adoption.

There are some drawbacks in the research, among which the rather small sample size and the fact that the convenience sampling technique was used. The future research may be widened in order to increase the diversity of participants through adding rural residents as well. More sophisticated statistical methods may be applied.

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