

Key Drivers Shaping Indian Youth's Digital Payment Adoption: Unveiling Behavioral Intent in the Cashless Era

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Abstract

In recent years, digital payment methods have seen a tremendous spike in acceptance in India, with millennials leading this financial revolution. Within the framework of a cashless economy, this study investigates the behavioural purpose that drives the use of digital payment systems among young Indians. The research examines key elements influencing young people's views towards digital payments, including technical developments, financial literacy, government programs, peer pressure, and perceived safety. We use a mixed-method approach, analysing quantitative and qualitative data to understand better the changes in behaviour and how they may affect the Indian financial ecosystem in the future.

Keywords: digital payments, behavioural intent, Indian youth, cashless economy, technology adoption, financial literacy

1. Introduction

One of the most critical aspects of the current digital revolution in India is the rise of digital payment methods. The young of India, between the ages of 15 and 30, make up more than a third of the country's population and are essential in propelling the expansion of new technology, such as online payment systems. Stakeholders, including fintech businesses, government organisations, and financial institutions, must comprehend the elements propelling the young acceptance of digital payments as the country progresses towards a cashless economy.

The fundamental goals of this study are to (1) determine why young Indians have started utilising digital payment systems and (2) determine their behavioural intent to keep using these systems. To thoroughly explain this trend's drivers, we will investigate technical, social, and psychological aspects.

2. Literature Review

Substantial research on the spread of digital payment systems in international settings has focused on technical acceptance models such as the Technology Acceptance Model (TAM) and the Unified Theory of Acceptance and Use of Technology (UTAUT). According to these theories, key technology adoption factors include perceived ease of use, utility, social influence, and conducive circumstances.

Research in India has shown that the fast growth of smartphone use, government programs like Digital India, demonetisation, and financial literacy are the main forces behind the widespread acceptance of digital payments. Nevertheless, there is still a lack of knowledge about the precise ways in which these variables impact the behavioural intentions of young Indians, especially in light of the circumstances surrounding the era after demonetisation and the COVID-19 epidemic, which hastened the transition away from cash transactions.

3. Research Objectives

The primary objectives of this research are:

- To learn what factors are most important for young Indians to use digital payment systems.
- To learn why people use digital payment systems and what motivates their behaviour.
- Determine the impact of policy, social pressure, and the perception of safety on people's use of digital payment methods.
- Determine the potential effects of age, gender, and education on adopting digital payment methods.

4. Research Methodology

This study employs a mixed-method approach, combining quantitative data from surveys and qualitative insights from focus group discussions. The research is conducted in two phases:

1. Survey: Fifty-five young people from five big cities (Delhi, Mumbai, Bangalore, Hyderabad, and Kolkata) were asked to fill out a structured questionnaire that asked about their experiences with digital payment systems, how user-friendly they were, how trustworthy they felt, and how they felt about the impact of government programs like UPI.
2. Three focus groups, each with 25 participants, were held to delve further into the attitudes, motives, and obstacles related to adopting digital payments.

5. Data Analysis and Findings

5.1 Technological Advancements and Convenience

One of the most significant findings from the survey data is that technological convenience plays a central role in digital payment adoption among youth. Over 80% of respondents indicated that ease of use and speed were the primary reasons they preferred digital payments over cash transactions. The ubiquity of smartphones and mobile payment apps such as Paytm, Google Pay, and PhonePay has created a user-friendly environment, which has led to increased adoption.

5.2 Peer Influence and Social Norms

Peer influence emerged as a critical factor among younger respondents (ages 18-24). Youth who observed their friends and family using digital payments were likelier to adopt these platforms. This aligns with

findings from the focus group discussions, where participants expressed that the normalization of digital payments in their social circles motivated them to shift from traditional payment methods.

5.3 Financial Literacy and Education

Financial literacy was found to be both a driver and a barrier. While youth with higher levels of financial literacy were more comfortable using digital payment systems, a significant portion of the respondents (35%) expressed concerns about navigating the complexities of online transactions. This highlights the need for targeted financial education programs that equip young users with the knowledge and confidence to engage with digital finance.

5.4 Government Policies and Initiatives

Demonetisation in 2016 and the Digital India campaign were key government measures that accelerated the use of digital payment methods. Thanks to UPI, faster and easier money transfers and quick payments are now possible. More than 70% of those who took the survey said that government policies significantly influenced their decision to use digital payment methods. Digital payment use was already high before the COVID-19 epidemic restricted the physical interchange of currencies.

5.5 Perceived Security and Trust

Government incentives and technical ease have accelerated adoption, but trust is still the most critical element in determining whether or not people will keep using it. Nearly 40% of those who took the survey said that worries about fraud and data protection prevented them from regularly using digital payment services. The youth's degree of participation in these systems is influenced by their cautiousness regarding the security of their personal and financial information, as demonstrated in the focus groups. To maintain growth, it is crucial to use safeguards such as two-factor authentication and encryption to ensure secure transactions and promote confidence.

6. Discussion

The results show that a mix of technical, social, and governmental variables affects the uptake of digital payments among young Indians. Factors like financial knowledge, trust, and the perceived safety of digital platforms determine whether users will continue to use a platform after factors like convenience and peer pressure drive early acceptance. Policies such as UPI and demonetisation have significantly altered the financial environment, demonstrating the immense importance of government actions.

Nevertheless, obstacles persist. Despite widespread adoption, many young people continue to encounter financial literacy and security impediments. Fintech firms, schools, and the government all have a role to play in finding solutions to these problems, and they should work together to improve cybersecurity and financial literacy initiatives.

7. Conclusion

The younger generation spearheads India's shift to a cashless economy by embracing digital payment solutions. This study cites technological ease, peer pressure, financial knowledge, government programs, and security concerns as the most critical factors shaping the behavioural intent of young Indians. To ensure the continuous expansion of digital payments in India, removing challenges relating to trust and financial education as the country pushes towards digitalisation is vital.

8. Recommendations

- **Enhance Financial Literacy:** Schools, universities, and fintech companies should collaborate on initiatives to improve financial literacy among youth. Providing accessible resources and practical training can empower young people to engage with digital payment systems confidently.
- **Strengthen Cybersecurity Measures:** Fintech companies must prioritise user security by implementing robust encryption and fraud detection systems. Clear communication of these security measures will help build trust.
- **Leverage Social Influence:** Digital payment platforms can utilise social media and influencer marketing to normalise digital payments among youth further. Encouraging peer discussions and sharing success stories can drive further adoption.
- **Support Government Initiatives:** Ongoing government support, including expanding the reach of UPI and promoting awareness campaigns, will be essential to maintaining momentum in the digital payment sector.

9. References

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