
**IMPACT OF DIGITAL PAYMENT PREFERENCES ON ONLINE SHOPPING BEHAVIOUR
AMONG INDIAN MILLENNIALS**

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ABSTRACT

The growing use of digital payment methods has significantly transformed the online buying behaviour of Indian millennials. This study focuses on analysing how different payment options like UPI, mobile wallets, net banking and debit cards influence purchasing decisions. The findings reveal that millennials generally prefer payment methods that are quick, secure, affordable, and provide benefits such as cashback and rewards. Convenience and trust emerge as key factors shaping payment choices. The study also highlights that seamless payment experiences encourage higher spending and frequent online purchases. Security concerns and technical issues, however, reduce their willingness to shop online. The study collected data using a structured questionnaire to analyse usage patterns. The research provides insights for e-commerce companies and payment service providers to enhance user experience. Overall, digital payment preferences have a strong influence on the online shopping behaviour of Indian millennials.

Keywords: Digital payments, UPI, Indian millennials, payment preferences, consumer behaviour

INTRODUCTION

Over the past few years, India has experienced significant changes in the way people carry out financial transactions, mainly due to the growth of digital payment systems. The rapid expansion of smartphones, affordable internet, and government initiatives like Digital India have encouraged millions of Indians to shift from cash-based transactions to digital modes of payment. Among various demographic groups, millennials, typically individuals born between 1981 and 1996 have become one of the most frequent users of digital payment platforms. Their familiarity with technology, preference for convenience, and increasing reliance on online services make them a crucial segment for digital payment adoption.

Digital payment methods such as UPI, mobile wallets, QR-based payments, net banking, and card payment have become an essential part of their everyday routine. Along with this, online shopping in India has expanded quickly because of attractive discounts, faster delivery services, and a variety of product options. For millennials, the ease of online shopping is further supported by smooth and secure digital payment experiences. Payment preferences often influence their purchase frequency, spending patterns, and trust in e-commerce platforms.

However, challenges such as security concerns, transaction failures, and lack of awareness about different payment features can affect their overall shopping behaviour. Understanding the connection between digital payment preferences and online shopping habits is therefore essential. This study examines the effect of different payment choices on the online shopping behaviour of Indian millennials and identifies the factors that motivate or discourage them from using digital payment systems. The finding aims to help e-commerce companies, policymakers, and payment service providers improve user experience and encourage wider adoption of digital payment.

OBJECTIVES OF THE STUDY

- To examine the level of awareness and usage of various digital payment methods among Indian millennials.
- To analyse the factors that influence digital payment preferences in online shopping behaviour.
- To evaluate the impact of trust and security perceptions on the adoption of digital payments.
- To identify the role of discounts, cashback, and rewards in shaping digital payment preferences.

SCOPE OF THE STUDY

This research seeks to examine how preferences for digital payments influence the online purchasing behaviour of Indian millennials. It covers millennials between the age group of 25-40 years, who represent a major segment of India's digital consumer base. The research is confined to analysing key digital payment modes such as UPI, mobile wallets, debit/credit cards, and net banking. The study highlights behavioural factors including convenience, trust, security along with user friendliness while analysing payment preferences. It examines how these preferences influence purchase frequency, spending patterns, and loyalty towards e-commerce platforms. The scope is limited to online shopping for products and services, excluding offline retail transactions. Geographically, the study primarily considers urban and semi-urban millennials and access to smartphones and

internet connectivity. The research does not include Gen Z or older generations, as the emphasis is specifically on millennials. The time frame of this research contemporary, reflecting current trends in digital payment adoption and e-commerce growth. Overall, the scope of this research is to offer insights that may help e-commerce businesses, digital payment providers, and policymakers improve consumer experience.

RESEARCH METHODOLOGY

Research Design

The study adopts a quantitative research design to examine the influence of digital payment preferences on the online shopping behaviour of Indian millennials. A descriptive and correlational approach is used to identify relationships between payment choices and shopping patterns.

Sample Size

A sample size of 73 respondents is considered adequate to represent the population and derive statistically significant results.

Sampling Technique

A convenience sampling technique is used, as respondents are chosen based on their convenient availability. using social media platforms, online forums, and personal contacts. This method is suitable due to time and resource constraints.

Data Collection Method

Primary data for the study is collected using a structured online questionnaire created through google forms. The questionnaire is divided into three main sections:

- Demographic details (age, gender, occupation, etc.)
- Digital payment preferences (frequency, trust level, preferred payment modes)
- Online shopping behaviour (purchase frequency, spending pattern, decision influences)

Data Analysis Techniques

Collected data will be analysed using:

- Descriptive statistics (mean, frequency, percentage)
- Correlation analysis is used to examine the relationship between digital payment preferences and online shopping behaviour.

HYPOTHESES OF THE STUDY

Hypothesis 1

Null Hypothesis (H₀): Digital payment preferences do not have a significant relationship with the online shopping behaviour of Indian millennials.

Alternative Hypothesis (H₁): Digital payment preferences have a considerable impact on the online purchasing behaviour of Indian millennials.

Hypothesis 2

Null Hypothesis (H₀): confidence in digital payment platforms does not have a significant influence on the usage of digital payment options among Indian millennials. Perceived security of digital payment methods has no substantial impact on their usage among Indian millennials.

Alternative Hypothesis (H₁): confidence in digital payment platforms has a strong impact on the adoption of digital payment methods among Indian millennials.

Perceived security of digital payment methods significantly influences their usage among Indian millennials.

Hypothesis 3

Null hypothesis (H₀): Discounts, cashback, and rewards have no significant influence on millennials' digital payment preferences.

Alternative Hypothesis (H₁): Discounts, cashback, and rewards significantly influence millennials' digital payment preferences.

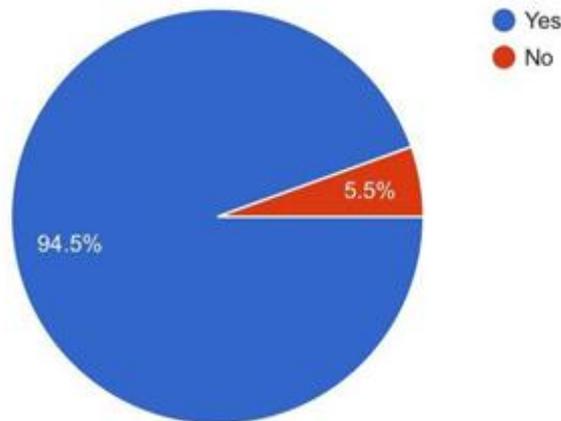
REVIEW OF LITERATURE

Gupta, Jagose & Mulye (2022) found that convenience and security drive digital wallet adoption among millennials. This increases trust and online shopping behaviour.

Aggarwal, Kumar & sane (2025) highlighted that security along with user convenience play a key role in encouraging digital payment adoption among millennials.

Dev H, Gupta R, Dharmavaram S, & Kumar D (2024) found that UPI’s frictionless payments increase spending and impulsive purchases among millennials.

Data interpretation and analysis



The chart indicates that a large majority of respondents are aware of digital payment methods. This indicates that digital payment awareness is extremely high among the respondents. The majority of participants are familiar with commonly used digital transaction options, indicating that millennials have good understanding and ease in using digital payments tools.

Payment Method Preferences Among Respondents

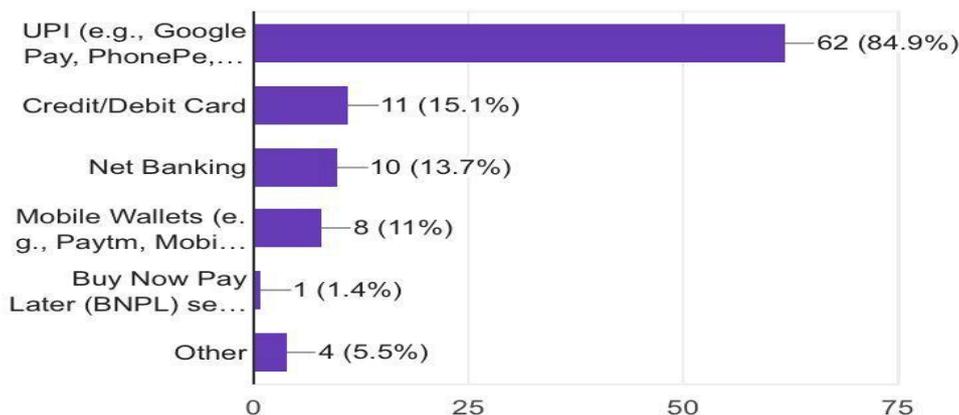
The data shows that UPI is the most commonly preferred digital payment method among respondents. This indicates that UPI platforms such as google pay, phonePe, and paytm are highly popular among millennials due to their convenience and speed.

Other payment methods like **credit/debit cards (15.1%)**, **net banking (13.7%)**, and **mobile wallets (11%)** are used but far less frequently compared to UPI.

A very small percentage of respondents used **Buy Now Pay Later Services (1.4)** or **other modes (5.5%)**.

Overall, the results emphasize the leading position of UPI over other digital payment methods while traditional methods are still used but not as widely.

Payment method preferences among respondents



Awareness of new digital payment options

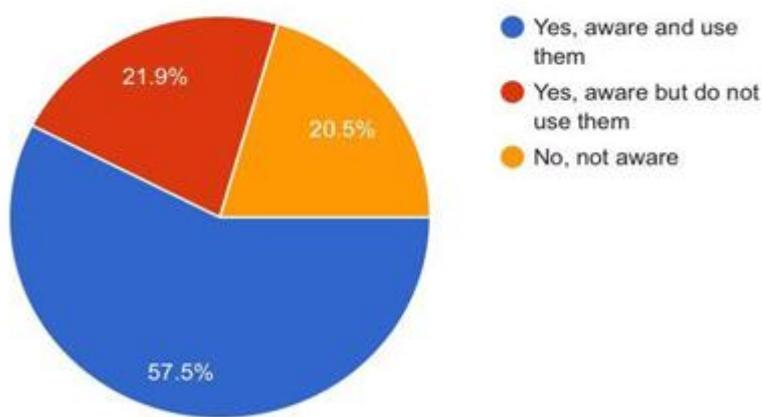
This chart represents the respondents awareness of newer digital payment options such as **UPI AutoPay, QR code payments, and contactless NFC payments.**

The result indicate that:

- 57.5% of respondents are aware and actively use these newer digital payment options.
- 21.9% of respondents are aware but do not use them.
- 20.5% of respondents are not aware of these payment options

Overall, the findings show that awareness among Indian millennials is relatively high, but actual usage is slightly lower, as some respondents still prefer traditional digital payment methods despite knowing the new ones.

Awareness of new digital payment options



Factors influencing the choice of digital payment methods

Convenience / Ease Of Use

Most respondents rated convenience as 1 or 2, indicating that user friendliness is an important factor when selecting digital payment methods. A moderate number of respondents selected rating 3, indicating average influence, while very few rated it as 4 or 5. Overall, convenience strongly influences digital payment preferences.

Security & Trust

Most respondents rated security and trust as 2 or 3, indicating that it is an important factor in choosing digital payment methods. Some respondents rated it as 1, showing high concern for safety, while very few selected 4 or 5, overall, security and trust have a strong influence on the adoption of digital payment methods.

Speed Of Transaction

Most respondents rated speed of transaction as 2 or 3, showing that it has a moderate impact on users' digital payment decisions. Some respondents rated it as 1, indicating high importance, while very few rated it as 4 or 5. Overall speed is an important but not the most deciding factor.

Discounts/ Cashback/ Rewards

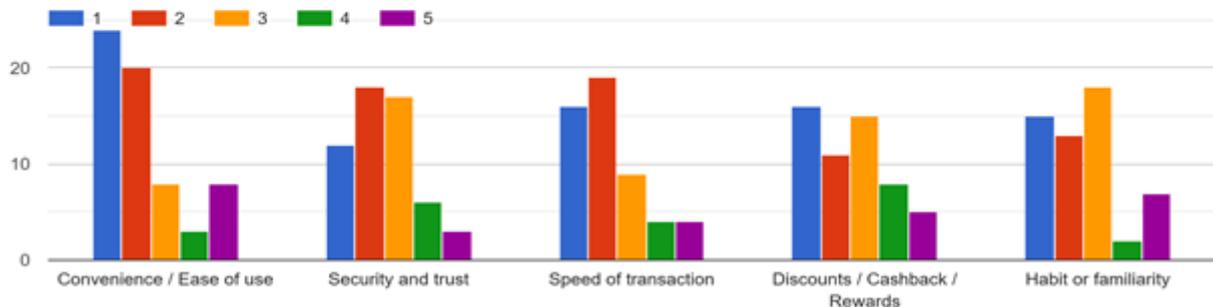
Many respondents rated discounts and rewards as 1 or 3, indicating a moderate level of influence on digital payment selection. Some respondents selected 2, while very few rated it as 4 or 5. Overall, offers influence payment preferences, but they are not the primary deciding factor.

Habit/ Familiarity

Most respondents rated habit or familiarity as 3, showing that users prefer payment methods they are used to and comfortable with. Some respondents rated it as 1 or 2, indicating a higher influence for certain users, while very few selected 4 or 5. Overall, familiarity plays a moderate role in choosing digital payment methods.

Factors influencing the choice of digital payment methods

Rate how strongly each of the following factors influences your choice of digital payment method when shopping online.



Influence of friends and family recommendations

The chart indicates that recommendations from friends and family strongly affect digital payment choices. A majority of respondents reported being influential (37%) or very influential (34.2%), indicating that social influence has a significant impact. A smaller portion felt moderate influence (15.1%), while very few respondents stated that recommendations were slightly influential or not influential at all. Overall, recommendations from peers play a crucial role in digital payment decisions.

Testing of hypothesis 1

Hypotheses

H0: there is no significant relationship between digital payment preferences and online shopping behaviour among Indian millennials.

H1: Digital payment preferences show a significant relationship with online shopping behaviour among Indian millennials.

Observed Data

Respondents influenced by digital payment methods

(Always + often + sometimes) = 62

Not influenced by digital payment methods

(Rarely + Never) = 11

Total respondents = 73

Expected values (under H0)

If digital payment preferences have no influence on online shopping behaviour, both groups are expected to be equal:

Influenced = 36.5

Not influenced = 36.5

Chi - Square Test

$$\begin{aligned} \chi^2 &= [(62 - 36.5)^2 / 36.5] + [(11 - 36.5)^2 / 36.5] \\ &= (25.5)^2 / 36.5 + (-25.5)^2 / 36.5 \\ &= 650.25 / 36.5 + 650.25 / 36.5 \\ &= 17.82 + 17.82 \\ &= 35.64 \end{aligned}$$

Critical value

Degree of freedom (df) = 1

Level of significance (α) = 0.05

Critical value = 3.84

Since **35.64** > **3.84**, the result is significant

Therefore, the null hypothesis is not accepted.

Hence, digital payment preferences have a significant impact on the online shopping behaviour of Indian millennials.

Testing of hypothesis 2

Hypotheses

H0₂: trust and perceived safety aspects of digital payment platforms do not have a strong impact on the adoption of digital payment methods among Indian millennials.

H1₂: trust and perceived safety of digital payment platforms considerably influence the usage of digital payment methods among Indian millennials.

Observed Data

A majority of respondents consider confidence in digital payment platforms to be important.

(very important + important) = 59

A smaller group of respondents consider confidence in digital payment platforms to be less important.

(Neutral + not important + not important at all) = 14

Total respondents = 73

Expected values (under H₀)

If confidence in digital payment platforms has no effect on the utilization of digital payment options both groups are expected to have equal values:

Important = 36.5

Not important = 36.5

Chi - Square Test

$$\chi^2 = [(59 - 36.5)^2 / 36.5] + [(14 - 36.5)^2 / 36.5]$$

$$= (22.5)^2 / 36.5 + (-22.5)^2 / 36.5$$

$$= 506.25 / 36.5 + 506.25 / 36.5$$

$$= 13.87 + 13.87$$

$$= 27.74$$

Critical value

Degree of freedom (df) = 1

Level of significance (α) = 0.05

Critical value = 3.84

Since **27.74** > **3.84**, the result is significant

Therefore, the null hypothesis cannot be accepted.

Confidence in digital payment platforms has a strong influence on the adoption of digital payment methods among Indian millennials.

Testing of hypothesis 3

Hypotheses

(H0₃): Discounts, cashback, and rewards do not significantly affect millennials, digital payment preferences.

(H1₃): Discount, cashback, and rewards significantly influence millennials digital payment preferences.

Observed Data

Influenced by discounts, cashback, and rewards

(very likely + likely) = 56

Not influenced / neutral

(neutral + unlikely + very unlikely) = 17

Total respondents = 73

Expected values (under H_0)

If discounts, cashback, and rewards do not affect digital payment preferences, both groups are expected to have equal values:

Influenced = 36.5

Not influenced = 36.5

Chi - Square Test

$$\chi^2 = [(56 - 36.5)^2 / 36.5] + [(17 - 36.5)^2 / 36.5]$$

$$= (19.5)^2 / 36.5 + (-19.5)^2 / 36.5$$

$$= 380.25 / 36.5 + 380.25 / 36.5$$

$$= 10.42 + 10.42$$

$$= 20.84$$

Critical value

Degree of freedom (df) = 1

Level of significance (α) = 0.05

Critical value = 3.84

Since **20.84** > **3.84**, the result is significant.

The null hypothesis is **rejected**

Thus discounts, cashback and rewards significantly influence millennials digital payment preferences.

FINDINGS OF THE STUDY

- The study reveals that most Indian millennials choose digital payment methods for online shopping.
- A significant relationship exists between digital payment preferences and online shopping behaviour among Indian millennials.
- Confidence in digital payment platforms greatly influences the adoption of digital payment methods.
- Perceived security of digital payment methods significantly affects millennials willingness to use digital payments.
- Most respondents considered trust and security as very important factors while choosing a digital payment method.
- Discounts, cashback, and rewards were found to have a strong influence on millennials' digital payment preferences.
- A large proportion of respondents were more likely to choose a digital payment method that offers financial incentives such as cashback and rewards.
- Overall, the findings indicate that convenience, trust, security, and promotional offers collectively encourage the adoption of digital payment methods among Indian millennials.

SUGGESTIONS OF COMPANIES

- Digital payment companies should build stronger trust by maintaining transparency in transactions and communicating clearly with users.
- Companies should continuously enhance security features such as two factor authentication and fraud detection systems to increase user confidence.
- Providing regular discounts, cashback offers, and rewards programs can help attract and retain millennial customers.

- User friendly and simple app interface should be developed to improve convenience along with user convenience
- Companies should create awareness about secure digital payment practices through campaigns and in app notifications.
- Partnering with e-commerce platforms and retail stores can help expand the usage of digital payment options
- Personalised offers and rewards based on user preferences can improve customer engagement and loyalty.
- Companies should regularly gather user feedback to enhance digital payment services and improve the overall customer experience.

CONCLUSION

This research emphasizes the strong impact of digital payment preferences on the online purchasing behaviour of Indian millennials. The findings suggest that millennials tend to prefer payment methods that offer speed, convenience, and security with UPI emerging as the most preferred option. Reward benefits such as cashback, discounts, and loyalty points further motivate them to choose digital payments over traditional methods. A smooth and hassle-free payment experience and encourages frequent online purchases.

Meanwhile, concerns regarding data privacy, transaction failures, and technical issues can limit their willingness to rely entirely on digital payments. The study further shows that payment preferences significantly influence purchases decisions, spending patterns, and overall satisfaction with online shopping.

To enhance user experience, e-commerce platforms and payment service providers must focus on strengthening security, simplifying interfaces, and offering consistent incentives. Overall the study concludes that digital payment systems have become an essential component of online shopping behaviour among Indian millennials, and their influence is expected to grow even further in the future.

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