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Original Research Article

ADOPTION OF DIGITAL WALLETS AMONG YOUNG ADULTS: A STUDY ON DIGITAL PAYMENT BEHAVIOUR

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Abstract:

Digital wallets have become an important part of modern payment systems, especially among young adults. A digital wallet is a mobile application that allows users to store money and make payments using smartphones. This study focuses on the adoption of digital wallets and the digital payment behaviour of young adults. Young people prefer digital wallets because they are easy to use, save time, and reduce the need to carry cash.

The study examines different factors that influence the use of digital wallets, such as convenience, speed, availability of smartphones, internet access, and attractive offers like cashback and discounts. It also considers security features such as passwords, fingerprint locks, and face recognition, which increase user trust in digital payments. At the same time, the study highlights some challenges, including fear of online fraud, data privacy issues, and technical problems like poor network connectivity.

Understanding digital payment behaviour is important for banks, businesses, and service providers to improve digital wallet services. The study shows that young adults are the main users of digital wallets due to their familiarity with technology. Overall, the adoption of digital wallets is increasing, and they are expected to play a major role in future cashless payment systems

Keywords: *Digital Wallet, Fintech, Cashless Economy, Young Adults*

Introduction:

Digital payment systems have changed the way people use and manage money in their daily lives. One of the most popular digital payment methods today is the digital wallet. A digital wallet is a mobile application that allows users to store money and make payments using smartphones. It helps people pay for goods and services without using cash or physical cards. In recent years, digital wallets have become very popular, especially among young adults.

The rapid growth of smartphones and easy access to the internet have played an important role in the adoption of digital wallets. Today, most young people own smartphones and are comfortable using mobile applications. Digital wallets allow users to pay bills, recharge mobile phones, shop online, book tickets, and transfer money easily. All these services can be used anytime and anywhere, which makes digital wallets very convenient.

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Young adults prefer digital wallets because they save time and effort. Carrying cash is not always safe or convenient, and cards can be lost or damaged. Digital wallets reduce these problems by keeping all payment details in one secure app. Another important reason for their popularity is the attractive offers provided by digital wallet companies, such as cashback, discounts, and reward points. These benefits encourage young users to make more digital payments.

Digital wallets also help users keep track of their spending. Every transaction is recorded in the application, which helps users manage their money better. This feature is especially useful for young adults who are learning to manage their personal finances.

However, the use of digital wallets also faces some challenges. Many users worry about security and privacy issues. Fear of online fraud, hacking, and misuse of personal information makes some people hesitant to use digital wallets. Technical problems such as poor internet connection, app errors, and lack of digital knowledge can also affect usage.

This study focuses on understanding the adoption of digital wallets among young adults and their digital payment behaviour. It aims to identify the reasons for using digital wallets, the benefits they provide, and the problems faced by users. By understanding these factors, this study can help banks, businesses, and service providers improve digital payment systems and promote safe, easy, and reliable cashless transactions in the future.

History:

In earlier times, people used only cash for buying and selling goods. There were no digital payment methods.

In the 1950s, credit cards were first introduced. These cards allow people to pay without cash. Later, in the 1970s and 1980s, debit cards became popular, making payments faster and safer.

During the 1990s, the use of computers and the internet increased. Banks started offering online banking services. People could check their accounts and transfer money electronically. This period marked the beginning of digital payments.

In the early 2000s, online shopping websites started growing. To support online payments, electronic payment systems were developed. These systems helped people pay bills and shop online using cards and bank transfers.

After 2010, smartphones became common. Mobile apps made it possible to store money digitally. This led to the development of digital wallets. Users could pay for products, transfer money, and recharge phones using mobile applications.

After 2015, digital wallets became more popular due to fast internet and better security features. Technologies like QR codes, fingerprint locks, and face recognition made digital payments safer. In recent years, digital wallets have become a regular part of daily life, especially for young adults. The history of digital wallets shows a clear change from cash payments to fast, easy, and digital payment methods.

Significance:

The digital payment system has rapidly grown; digital payment systems have transformed the way young consumers make financial transactions. As digital wallets use increases, understanding user behaviour has

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become important. This study aims to explore how young adults use digital wallets and identify behavioural factors that influence their adoption.

1) Importance to business/ fintech companies:

- This research company understands how young people think and use digital services.
- It shows what things attract young users the most.
- It also helps companies to make their digital wallets features better and more useful

2) Importance to Policymakers/ government:

- It helps policymakers understand how digital payments are growing and being used.
- It supports government efforts to build and strengthen the digital economy.
- It encourages people to move towards cashless payments and online transactions

3) Importance to academic research:

- It adds useful information about how young people use digital platforms.
- It can help future researchers study similar topics more easily.
- It increases knowledge in consumer behaviour and how people make choices.

4) Importance to society:

- It helps people become more comfortable and confident with using digital tools.
- It brings attention to concerns about trust and online security.
- It encourages people to use digital platforms in a safe and careful way.

5) Practical relevance

- It helps understand how people spend their money and their payment habits.
- It shows how people are slowly moving from cash payments to digital methods.

Overall, this study adds to existing knowledge about digital payments and gives practical suggestions for improving financial apps and services.

Research Methodology:

1) Theoretical Blueprint

This research adopts a Mixed-Methods Concurrent Triangulation strategy, allowing us to pair broad statistical findings with a deeper exploration of individual user stories. We've deliberately moved away from the aging Technology Acceptance Model (TAM) to utilize the Unified Theory of Acceptance and Use of Technology (UTAUT2). This is particularly relevant for the 2026 market, as it lets us isolate Hedonic Motivation essentially the **"dopamine hit"** users get from high-end app design and Habit as the two primary drivers of modern financial shifts.

2) Participant Profiles

Our study targets **"Digital Natives"** (18 to 30 years old) situated in the tech-heavy corridors of the Mumbai Metropolitan Region. Using a Stratified Random Sampling of 400 people, we've split the group into two distinct life stages:

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The Academic Segment: Students relying on high-speed, low-value peer transfers and campus-locked payment systems.

The Professional Segment: Working adults heavily engaged with Embedded Finance, specifically those using AI-driven micro-savings and **"Buy Now, Pay Later"** (BNPL) credit cycles.

3) Data Strategy

The inquiry uses a dual-path collection method:

Quantitative: A mobile survey featuring 28 questions on a 5-point Likert scale. We are specifically looking for the **"Network Effect"** to see how much your friend's choice of app dictates on your own.

Qualitative: Semi-structured interviews with 20 users. Here, we will probe the **"Frictionless Paradox,"** which is the surprising way young adults trade off robust security for the sheer speed of biometric **"Instant-Pay."**

4) Analysis and Modeling

We process the survey data using Structural Equation Modeling (SEM) in SmartPLS to map the complex relationships within the UTAUT2 framework. For the interview transcripts, we'll apply the Thematic Synthesis. We are looking for signs of **"Algorithmic Trust,"** where users seemingly trust an AI's fraud detection more than a human bank manager, and the rise of a **"Device-Centric Identity."**

5) Sustainability Metrics (ESG)

A unique addition to our work is the **"Green-Fin Acceptance"** index. This measures how much an eco-conscious mindset like preferring paperless receipts or carbon-tracking features influences which digital wallet a young adult chooses in 2026.

6) Ethics and Constraints

In line with 2026 data privacy laws, all participant information is encrypted and anonymized. However, a major limitation is **"Infrastructure Asymmetry."** Our findings are rooted in the 5G-dense areas of urban Maharashtra and might not reflect the reality of rural regions where cash is still king.

a) Objectives:

The objectives of adoption on digital wallets among young adults: A study on digital payment behaviour

- To study and analyze how young adults use digital wallets.
- To examine and analyze the key factors that affect digital wallets adoption.
- To assess and analyze users' trust levels and people's sense of safety in digital payments systems.

b) Literature Review:

Feren Sambeka and S. Kom. (2025) found that perceived usefulness and perceived risk significantly influence digital payment adoption and financial well-being among Gen Z. Their study emphasizes the importance of user perception in digital wallet usage.

Sopiyah and Sriyono (2025) reported that perceived usefulness and risk positively affect Generation Z's intention to use e-wallets, while convenience, trust, and social influence showed no significant impact.

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Omar et al. (2025), applying the Technology Acceptance Model, identified usability, security, and incentives as key factors influencing students' intention to adopt e-wallets.

Rahayu (2025) concluded that consumer behavior, financial literacy, and transaction security significantly affect digital wallet usage among Gen Z, with security emerging as a strong determinant.

Pooja and Amulya (2024) observed widespread adoption of digital wallets and UPI among youth in Mysore, mainly due to simplicity and accessibility, despite limited financial literacy.

Putri and Friyatmi (2025) found that financial and digital literacy significantly influence university students' e-wallet adoption, with digital literacy being more dominant.

Razquin et al. (2025) concluded that demographic factors do not significantly influence e-wallet adoption, suggesting perceptual factors are more important.

Sukma et al. (2024) found that financial literacy positively impacts digital payment behavior and financial management, with digital payment behavior acting as a mediating factor.

Yousef (2024) reported that e-wallet adoption improves purchasing behavior and money management but may increase overspending risk.

Lacap et al. (2024) identified significant generational differences in how perceived ease of use affects mobile wallet adoption.

Data Sources:

This research paper is based on the secondary data collected from research papers published in national and international journals, articles, and data published by related institutions, websites, etc.

Limitations:

The study focused only on young adults using digital wallets and did not include any older people or older age groups and businesses which may influence overall payment patterns, A small sample size further reduces the accuracy of the results. The participants were selected using convenience sampling, which means the responses were collected from people who were easily available or easy to reach. This research was conducted and carried out over a short period of time which compacted the opportunity for detailed and deeper analysis, due to the short duration of study researchers could not study the long term trends or changes in digital payments habits and could not track the continuous changes in digital payment usage. As a result, the study only shows a snapshot of current behaviour. Therefore, the findings mainly reflect short-term patterns in this study. Since the study used surveys for data collection, the result depends on honest answers from participants. in some cases, people may give inaccurate information either intentionally or unintentionally which may affect the accuracy of the findings. Because the survey was carried out online, individuals who do not have internet access or lack basic digital skills may have been excluded from participating, which may affect how inclusive the results are.

Scope of the Study:

This study focuses on the **adoption of digital wallets among young adults (18–30 years)** and examines their digital payment behaviour. The scope of the study is defined as follows:

1. **Target Group**

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The research is limited to young adults, including college students and working professionals. It does not include children, older adults, or business owners.

2. **Geographical Area**
   The study is conducted within a selected urban region (such as Mumbai Metropolitan Region). Therefore, the findings mainly reflect the behaviour of young adults in urban areas and may not represent rural populations.
3. **Digital Wallet Platforms Covered**
   The study considers commonly used digital wallets such as:
   - Google Pay
   - PhonePe
   - Paytm
   - Amazon Pay
4. **Key Variables Studied**
   The research focuses on:
   - Convenience and ease of use
   - Security and trust
   - Cashback and promotional offers
   - Social influence (friends/family usage)
   - Financial literacy
   - Frequency of digital payments
5. **Time Period**
   The study reflects current digital payment behaviour during the time of data collection and does not analyze long-term behavioural changes.
6. **Type of Transactions Studied**
   - Bill payments
   - Online shopping
   - Mobile recharge
   - Peer-to-peer (P2P) transfers
   - Ticket booking

Primary Data Collection:

1. Usage Frequency of Digital Wallets

USAGE FREQUENCY	NUMBER OF RESPONDENTS	PERCENTAGE (%)
DAILY	17	56.7%
WEEKLY	10	33.3%
MONTHLY	3	10%
TOTAL	**30**	**100%**

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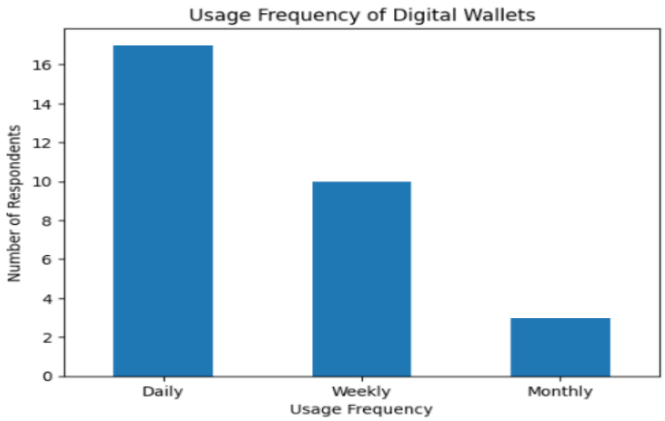
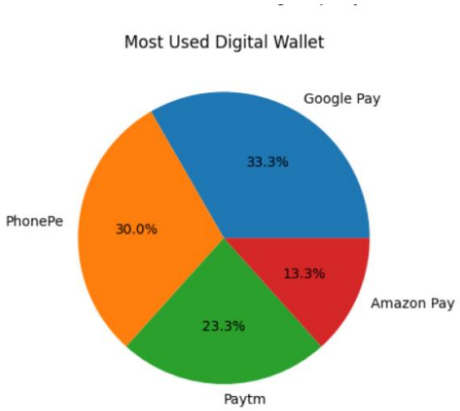


The graph shows that 56.7% of respondents use digital wallets daily, indicating high adoption among young adults. About 33.3% use them weekly, while only 10% use them monthly. This suggests that digital wallets have become a regular part of daily financial transactions. Overall, frequent usage reflects strong dependence on digital payment systems.

DIGITAL WALLET	NUMBER OF RESPONDENTS	PERCENTAGE (%)
GOOGLE PAY	10	33.3%
PHONEPE	9	30%
PAYTM	7	23.3%
AMAZON PAY	4	13.3%
TOTAL	**30**	**100%**

2. Most Used Digital Wallet



The pie chart shows that Google Pay is the most preferred digital wallet with 33.3% users, followed closely by PhonePe at 30%. Paytm accounts for 23.3%, while Amazon Pay has 13.3% users. This indicates strong competition among digital wallet providers. However, Google Pay holds a slight leading position among respondents.

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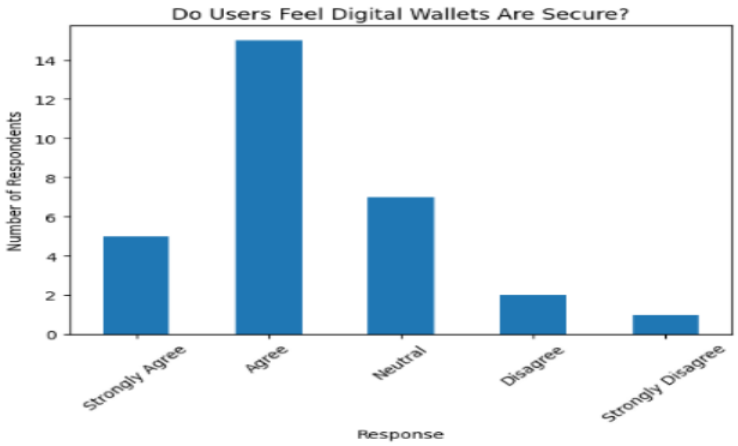
3. **Do Users Feel Digital Wallets Are Secure?**

RESPONSE	NUMBER OF RESPONDENTS	PERCENTAGE (%)
STRONGLY AGREE	5	16.7%
AGREE	15	50%
NEUTRAL	7	23.3%

RESPONSES	NUMBER OF RESPONDENTS	PERCENTAGE (%)
DISAGREE	2	6.7%
STRONGLY DISAGREE	1	3.3%
TOTAL	**30**	**100%**



Most respondents (50%) agree that digital wallets are secure, and 16.7% strongly agree. About 23.3% remain neutral, while only a small percentage disagree. This shows that most young adults have trust in digital payment security. Overall, security perception is positive among users.

4. **Have Users Faced Any Technical/Fraud Issue?**

RESPONSE	NUMBER OF RESPONDENTS	PERCENTAGE (%)
YES	7	23.3%
NO	23	76.7%
TOTAL	**30**	**100%**

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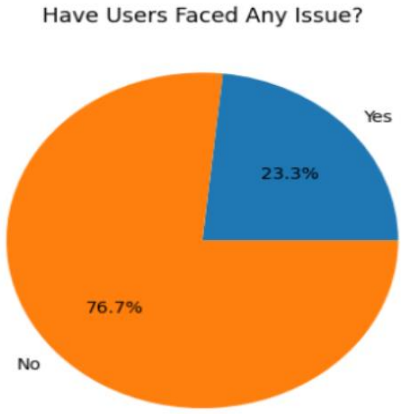

The graph indicates that 76.7% of respondents have not faced any technical or fraud-related issues. Only 23.3% reported experiencing some problems. This suggests that digital wallet systems are generally reliable. However, the presence of some issues shows the need for improved security measures.

5. Influence of Cashback Offers

RESPONSE	NUMBER OF RESPONDENTS	PERCENTAGE (%)
STRONGLY AGREE	6	20%
AGREE	18	60%
NEUTRAL	4	13.3%
DISAGREE	2	6.7%
TOTAL	**30**	**100%**

The majority (60%) agree and 20% strongly agree that cashback offers influence their usage. Only a small percentage are neutral or disagree. This clearly shows that promotional offers play a major role in increasing digital wallet usage. Therefore, incentives significantly impact digital payment behaviour.

Secondary Data:

Secondary data for this research was collected from a wide range of credible and authoritative sources to provide a strong theoretical and conceptual foundation for the study. The data was gathered from academic journals, published research papers, government reports, fintech industry analyses, books, and reliable online financial platforms. These sources helped in understanding global and national trends in digital wallet adoption and digital payment behaviour among young adults.

Important statistical data and policy-related information were obtained from reports published by the Reserve Bank of India and the National Payments Corporation of India, particularly regarding the growth of digital transactions and the expansion of the Unified Payments Interface (UPI). Annual reports and official press releases from digital wallet service providers such as Paytm, PhonePe, and Google Pay were also reviewed to understand market performance, user growth, and technological advancements.

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In addition, research articles discussing technology adoption theories such as the Unified Theory of Acceptance and Use of Technology **(UTAUT2)** were studied to analyze the behavioural aspects influencing digital wallet usage. Online databases, economic surveys, and fintech market research reports provided updated insights into consumer preferences, security concerns, cashback strategies, and the impact of digital payments on financial inclusion.

Secondary data played a significant role in comparing past and present trends in digital payment systems and supported the findings obtained through primary data. It helped in identifying research gaps, understanding theoretical frameworks, and establishing the broader context of digital wallet adoption among young adults in the evolving digital economy.

Challenges and Remedies:

1) Security concerns:

- **Challenges-** Because of frequent data breaches and cyber threats, young adults may feel uncertain about the safety of their personal and financial information when using digital wallets.
- **Remedies-** Digital wallet providers should improve security through multifactor authentication, biometric verification, and fraud alerts. Awareness campaign can also increase user confidence.

2) Technological Literacy:

- **Challenges**- Even though many young adults are familiar with technology, some may not fully understand how digital wallets work, which can make them hesitant to use them.
- **Remedies**- Simple interfaces in app tutorials and educational guides can help users understand and use digital wallets more easily.

3) Privacy Issues:

- **Challenges**- Worries about data privacy and the use of personal information by digital wallet companies can reduce young adults' willingness to fully embrace these technologies.
- **Remedies**- Companies should maintain transparent data policies and give users control their privacy settings to build trust.

4) Financial literacy:

- **Challenges**- Limited knowledge of financial management and digital wallet can reduce how effectively young adults use these tools.
- **Remedies**- Financial education about budgeting and digital spending can help young adults use digital wallets responsibly.

5) Access to Technology:

- **Challenges**- Some young adults may lack proper devices or reliable Internet, which can restrict their use of digital wallets.
- **Remedies**- Affordable Internet access and low data applications can improve accessibility and encourage adoption.

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6)Resistance to change:

- **Challenges**- Some young users may prefer traditional payment methods and feel hesitant about moving to digital wallets because they are used to what they already know.
- **Remedies**- Incentives like cash back offers and rewards can motivate users to shift from cash to digital payments.

7) Integration with Existing systems:

- **Challenges-** Difficulties integrating digital wallets with current financial systems and services can create complications and affect the smoothness of the user experience.
- **Remedies-** Better compatibility with banks and financial platforms can improve transaction efficiency and user experience.

8) Regulatory Hurdles:

- **Challenges**- Regulatory issues and the growing digital payments sector may impact the growth of division of digital wallets.
- **Remedies**- Clear regulation and cooperation between policymakers and companies can support safe digital payment growth.

9) Market Saturation:

- **Challenges-** The wide variety of digital wallet options may overwhelm young adults, making it difficult for them to choose the most suitable platform.
- **Remedies-** Companies should offer unique features and simple designs to reduce confusion among users.

10) Cultural Factors:

- **Challenges-** Cultural habits that strongly favor cash transactions may create resistance toward adopting digital wallets in certain societies.
- **Remedies-** Awareness campaign and hybrid payment model can help reduce cultural resistance to digital payments.

Addressing these challenges is important for increasing digital wallet adoption among young adults and helping them benefit from the digital payment system.

Conclusion:

The study concludes that digital wallets have become an essential part of financial transactions among young adults. Most respondents use digital wallets daily, indicating strong adoption and integration into routine activities. Convenience, speed, security, and cashback offers are the major factors influencing usage. Most users trust digital wallets and have not faced serious technical or fraud-related issues, showing growing confidence in digital payment systems. However, concerns regarding privacy and occasional technical problems still exist. The research highlights that young adults are highly influenced by promotional benefits and peer usage patterns. Overall, digital wallets are steadily replacing cash transactions and contributing to the development of a cashless

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economy. With improved security, awareness, and technological infrastructure, digital wallets are expected to play an even greater role in shaping the future of digital financial behaviour.

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