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A Study of Whether Digital Payments Reduce Consumer Sensitivity to Small Price Changes in Urban Markets

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Abstract

Digital payments have become a normal part of shopping in urban areas. People now use UPI, debit cards, credit cards, mobile wallets, and other online payment methods for everyday purchases. These payment methods save time and make transactions easier, but they may also affect how people react to small changes in price. This study tries to understand whether consumers who pay digitally pay less attention to small price increases than those who use cash. The study is based on primary data collected through a questionnaire. It also looks at whether factors like age, income, education, and frequency of digital payment use make any difference in this behaviour. The study is important because small changes in price may seem unimportant in one purchase, but over time they affect consumer spending in a big way. The paper is linked to behavioural economics and consumer finance because it studies how payment habits influence everyday buying decisions.

Keywords: digital payments, price sensitivity, urban consumers, payment behaviour, consumer finance, behavioural economics

1. Introduction

In recent years, digital payment has become common in India, especially in cities. Earlier, cash was the main mode of payment for daily expenses. Now many people simply scan a QR code and make payment within seconds. This change can be seen in grocery shops, cafés, pharmacies, local transport, and even roadside stalls. Because of this, the experience of spending money has changed.

When a person pays in cash, there is direct involvement with money. The buyer counts the notes, gives them to the seller, and immediately feels the money going out. In digital payment, that feeling may not be as strong. The amount is seen on a mobile screen, payment is made quickly, and the transaction ends in a moment. Because of this, the consumer may not think deeply about small price changes.

Price sensitivity means how much a consumer reacts when the price of a product changes. Some consumers are very careful even if the increase is only a few rupees. Others may continue buying without much thought. This difference becomes important in urban markets because many daily purchases are

small in value but frequent in number. A person may ignore an increase of ₹5 or ₹10 in one purchase, but repeated spending of this kind can affect the household budget.

This topic is important because it connects payment behaviour with market behaviour. If digital payments reduce attention toward small price increases, then sellers may find that buyers are less likely to object to such changes. This can influence pricing practices, consumption behaviour, and overall spending patterns in urban markets.

2. Review of Literature

Many researchers have studied how payment mode influences consumer behaviour. Prelec and Loewenstein (1998) explained that spending money is not only an economic activity but also a psychological one. According to them, people feel a "pain of paying," and this pain is stronger when payment is direct.

Feinberg (1986) pointed out that credit cards can make spending easier because consumers do not feel the same immediate loss as they do with cash. This was one of the early studies showing that payment method can affect buying behaviour.

Raghubir and Srivastava (2008) also found that the form of payment matters. Their work suggested that when money feels less real during payment, people may become more open to spending.

Hernandez, Jonker, and Kosse (2017) studied the difference between cash and debit card payments. They found that people often feel more control over their budget when using cash.

Schomburgk and Hoffmann (2024) reviewed many earlier studies and concluded that cashless payment methods are often connected with higher spending levels than cash. Their work supports the argument that payment mode influences spending behaviour.

Ahn, Kwon, and Lee (2022) examined mobile payment use and found that it may lead to overspending in some cases. This is especially relevant now because many consumers depend heavily on mobile-based transactions.

Broekhoff, van der Cruijsen, Jonker, and Bijlsma (2024) found that electronic payments "hurt less" than cash. In simple words, the discomfort of spending becomes lower in digital payment methods.

Trütsch (2016) studied mobile payment behaviour and showed that as digital payments spread, they begin to change the way people make payment choices.

Oyelami, Adebiyi, and Adekunle (2020) observed that electronic payment systems can influence spending growth and purchase behaviour.

Most of these studies are useful for understanding the broad link between payment mode and spending. However, in the Indian context, many studies have focused more on adoption, convenience, security, or

satisfaction. Very few have directly examined whether digital payment makes people less sensitive to small price changes in their daily buying behaviour. That is the main area this study focuses on.

3. Research Gap

There is already a good amount of literature on digital payment adoption and the convenience of cashless transactions. Some studies also explain overspending and the psychological side of payment behaviour. Still, a clear gap remains. There are not many primary studies, especially in the Indian urban context, that directly examine whether digital payments reduce consumer sensitivity to small price changes in routine purchases. This study is an attempt to address that gap with the help of primary data.

4. Objectives of the Study

The main objectives of the study are:

1. To study the use of digital payments among urban consumers.
2. To examine whether digital payments reduce attention toward small price changes.
3. To compare the behaviour of cash users and digital payment users in such situations.
4. To understand whether demographic factors influence this behaviour.
5. To offer suitable suggestions based on the findings.

5. Hypotheses

The study is based on the following hypotheses:

$H0_1$: Digital payments do not significantly reduce consumer sensitivity to small price changes in urban markets.
$H1_1$: Digital payments significantly reduce consumer sensitivity to small price changes in urban markets.

$H0_2$: There is no significant association between the frequency of digital payment use and price sensitivity.
$H1_2$: There is a significant association between the frequency of digital payment use and price sensitivity.

6. Research Methodology

The present study is descriptive and analytical in nature. It is based mainly on primary data. The data may be collected from consumers in an urban area such as Pune City through a structured questionnaire. The respondents may include people who regularly make payments through both cash and digital methods.

For the study, a sample of 100 respondents may be selected. Convenience sampling can be used because it is practical for collecting information from consumers in busy market areas.

The questionnaire may be divided into three parts. The first part collects personal details such as age, gender, education, occupation, and income. The second part studies payment behaviour, including the

most preferred payment mode and the frequency of digital payments. The third part focuses on price sensitivity, that is, whether the consumer notices or reacts to small increases in price.

The collected data may be analysed with the help of percentage method, tabular presentation, graphs, and simple statistical tools wherever needed.

7. Questionnaire Design for Primary Study

Section A: Demographic Profile

Age
Gender
Education
Occupation
Monthly income

Section B: Payment Behaviour

Which payment mode do you use most frequently?

Cash
UPI
Debit card

Credit card

Mobile wallet

How often do you make digital payments?

Daily
Weekly
Occasionally
Rarely

For which purchases do you mostly use digital payments?

Grocery
Food and beverages

Transport
Pharmacy
Other daily items

Section C: Price Sensitivity

Do you notice a small price increase of ₹2 to ₹10 while making a purchase?

Always
Sometimes
Rarely
Never

Are you more likely to notice small price changes when paying by cash?

Yes
No
Not sure

Do you continue purchasing even after noticing a small price increase when paying digitally?

Yes
No
Sometimes

Do digital payments make you feel less conscious of spending?

Strongly agree

Agree
Neutral
Disagree
Strongly disagree

Do you compare prices less when using digital payments?

Strongly agree

Agree
Neutral
Disagree
Strongly disagree

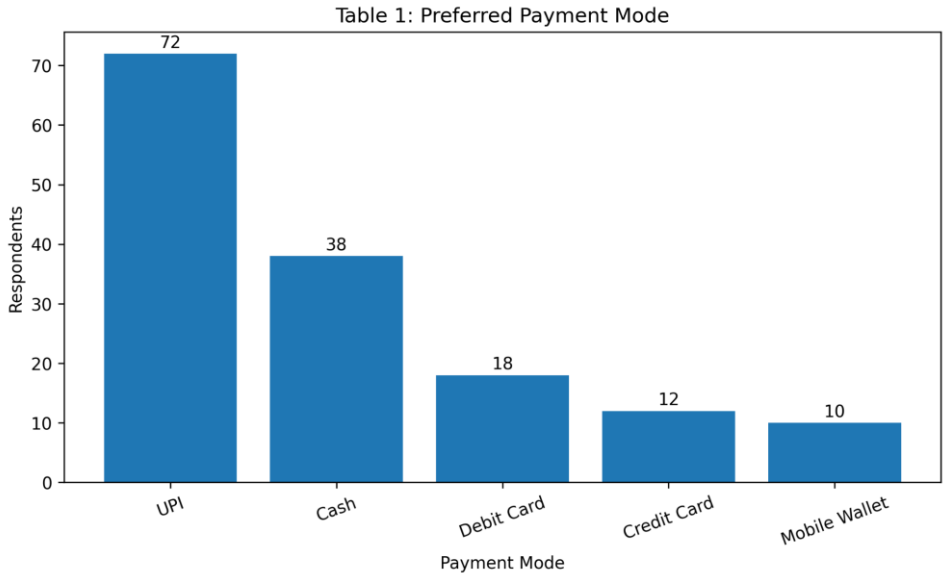
Do you think digital payments encourage quick purchase decisions?

Yes
No
Sometimes

Model Primary Data Presentation

Table 1: Preferred Payment Mode

Payment Mode	Respondents	Percentage
UPI	72	48%
Cash	38	25%
Debit Card	18	12%
Credit Card	12	8%
Mobile Wallet	10	7%
Total	150	100%

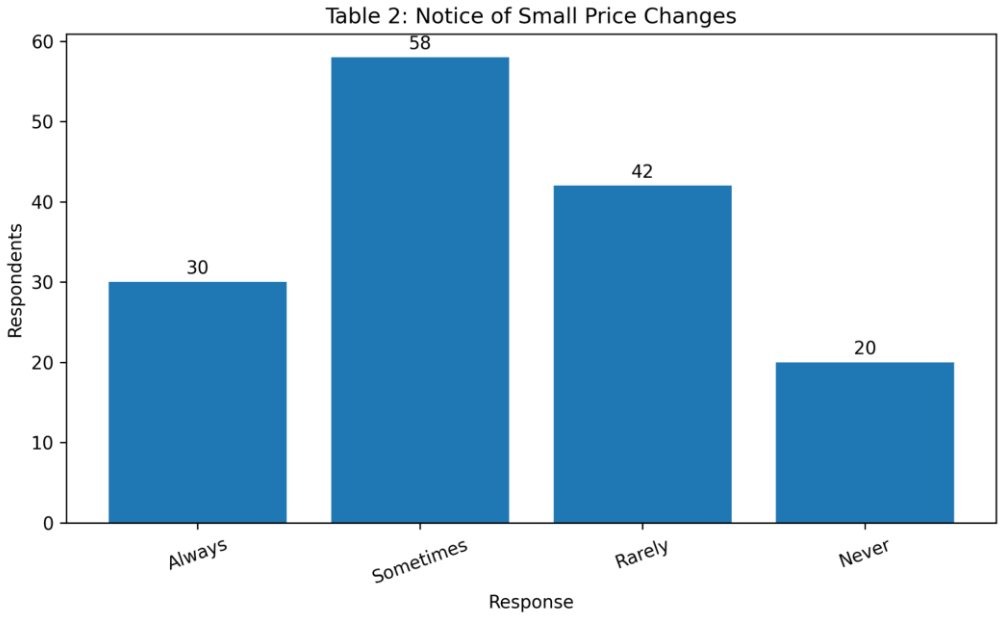


Interpretation:

The responses show that UPI is the most commonly used payment mode among the selected consumers. Cash comes next. This clearly suggests that digital payment has become a major part of urban market transactions.

Table 2: Notice of Small Price Changes

Response	Respondents	Percentage
Always	30	20%
Sometimes	58	39%
Rarely	42	28%
Never	20	13%
Total	150	100%



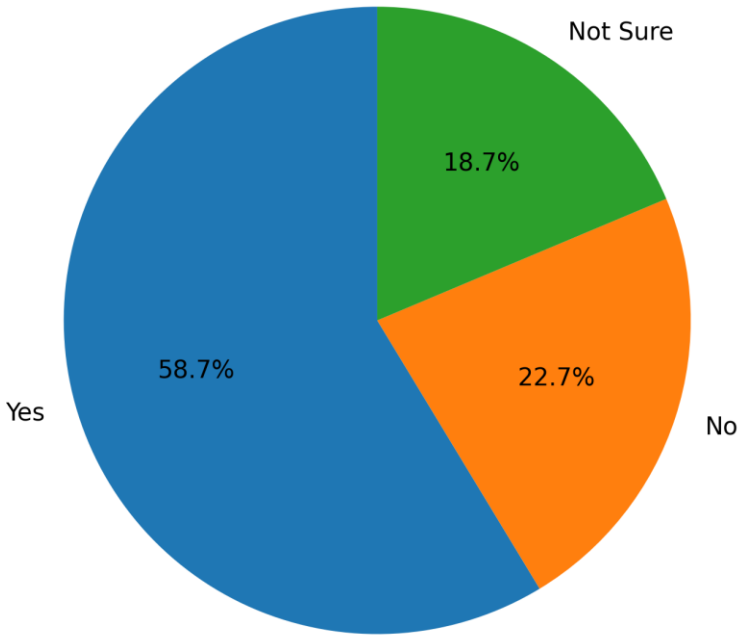
Interpretation:

Only a limited number of respondents said that they always notice small price changes. A much larger group said they notice such changes only sometimes or rarely. This may indicate that consumers do not pay close attention to small price differences during routine purchases.

Table 3: More Likely to Notice Price Change While Paying by Cash

Response	Respondents	Percentage
Yes	88	59%
No	34	23%
Not Sure	28	18%
Total	150	100%

Table 3: More Likely to Notice Price Change While Paying by Cash

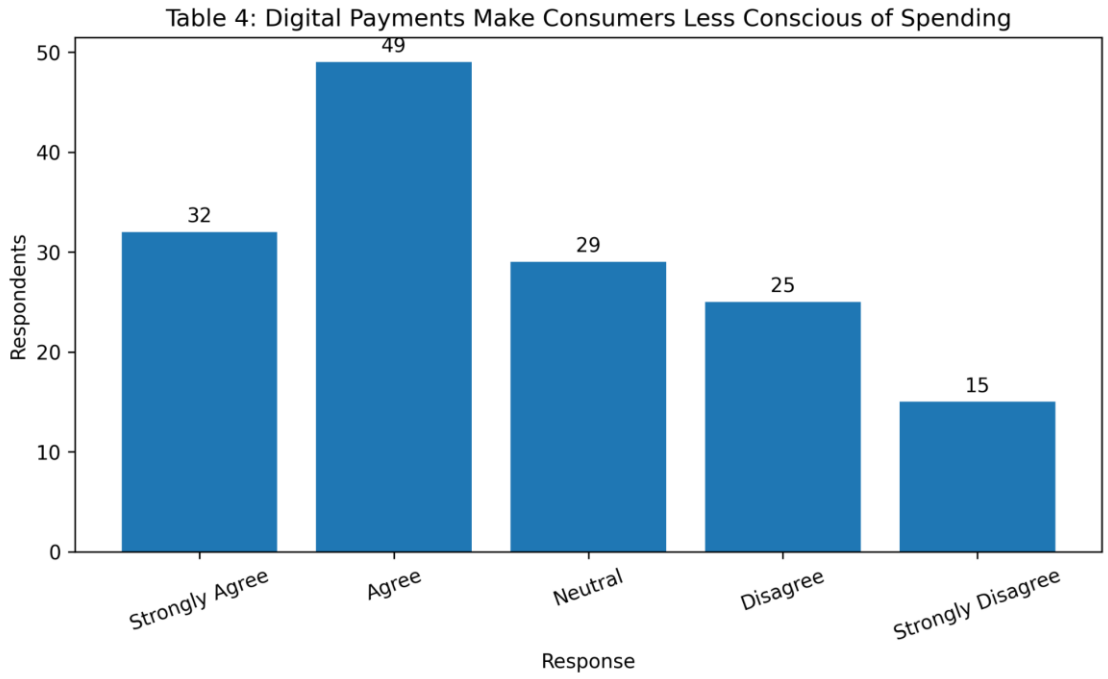


Interpretation:

Most respondents said they are more likely to notice a small price increase when paying through cash. This suggests that cash payment keeps consumers more alert during the act of purchase.

Table 4: Digital Payments Make Consumers Less Conscious of Spending

Response	Respondents	Percentage
Strongly Agree	32	21%
Agree	49	33%
Neutral	29	19%
Disagree	25	17%
Strongly Disagree	15	10%
Total	150	100%



Interpretation:

A large share of respondents agreed that digital payments make them feel less conscious of spending. This supports the argument that digital payment reduces the immediate sense of money going out.

8. Findings

The study gives a few clear observations. Digital payments are widely used by urban consumers, and UPI appears to be the most common mode. Many respondents do not notice small price changes regularly in daily purchases. A majority also feel that they are more attentive to price when paying in cash. The responses further suggest that digital payment may reduce the awareness of spending and make purchase decisions quicker. Overall, the results point toward a connection between payment mode and price sensitivity.

9. Suggestions

Consumers should make a habit of checking their daily spending even when they use digital payments for small purchases. Financial literacy programmes should also include discussion on behavioural changes caused by digital payment methods. Payment apps may introduce clearer spending summaries or alerts for repeated low-value transactions. Consumers themselves should remain careful and compare prices even when the payment process is quick and easy. Similar studies may be conducted in other cities with a larger sample for better comparison.

10. Conclusion

The study suggests that digital payments may reduce consumer sensitivity to small price changes in urban markets. Since digital transactions are simple and less physically felt than cash payments, consumers may not react strongly to minor increases in price. This has importance for both consumer behaviour and market practice. As digital payment systems continue to spread, it becomes necessary to understand not only their convenience but also their impact on everyday financial decisions. The study therefore adds value to the discussion on behavioural economics and digital consumer finance.

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