

Cash to cashless, from discipline to negligence: financial mismanagement in UPI ecosystem

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Abstract. As digitalisation gets embedded in daily routine, questions arise about its effect on personal financial habits. The lack of physicality induced by digitalisation opens up new pathways for mismanagement. Through this study, we examine the factors that influence financial mismanagement. We collected the primary data through a survey of 101 individuals. The survey was a structured Likert scale questionnaire. Using PCA varimax rotation, we conducted factor analysis in R software. For reliability, we employed KMO and Bartlett's test, which indicated positive compatibility of constructs. We extracted three factors namely, Usage and security awareness, Digital financial mismanagement, and Financial Negligence. The factors show dominant loadings related to behavioral and monitoring items. Based on the findings, it appears that financial discipline is just as important as basic financial knowledge when it comes to determining the impact of financial mismanagement. The study has practical relevance for policy, education, consumer, and digital payment platform providers. Indicating avenue to improve design of financial application (app), practical education, in-app limits and buffers. For future research scholars can try expounding the factors and behavioural cues.

Keywords— Financial Mismanagement, Digital Literacy, Financial Discipline, Factor Analysis

1 Introduction

Digital payments are essential for economic acceleration. Digitalisation facilitates transactions without tangible money, often through digital payments. Globally, India has emerged as a frontrunner in the field of digital fast payments. These payments are mainly transacted through the Unified Payments Interface (UPI). Using UPI, real-time money transfers are possible [1]. Enabling bank accounts through an application. UPI provides various features like fund transfers, peer-to-peer, and merchant payments. UPI makes money transfer quick and convenient. The rise in transaction scale is remarkable, reaching approximately 24 lakh crores, showing a growth rate of 32% in just one year [2]. This model facilitates convenience, satisfaction, ease of access, financial inclusion, and time

saving. Personal financial management is a procedure of planning and controlling individual finances. Personal financial mismanagement is the polar opposite of financial management. Financial mismanagement is basically characterized by poor expenditure decisions, insufficient budgeting, and a lack of monetary planning [3].

The rise of digital payment services has made cash transactions less popular. More people are turning to these digital alternatives for mundane spending, paying bills, and using features like buy-now-pay-later. Although this shift toward digital payments is convenient and has its bonuses, it also brings up some important issues, particularly around managing personal finances. People with different levels of comfort using technology may find it easier to give in to impulsive buying or struggle to stick to a budget. Regardless of the remarkable success of UPI, a research gap exists concerning its effect on financial mismanagement. The research arena has evaluated UPI adoption, its impact on the economy, and the challenges of adoption. But there is less research based on UPI and financial discipline and mismanagement. The study aims to fix this gap in the existing research on UPI. The study uses R software as a tool to run a factor analysis and identify factors that influence financial mismanagement. The research objective (RO) of the study is:

RO: To determine the factors affecting the personal financial mismanagement of UPI users.

2 Literature Review

2.1 Mobile UPI Usage

UPI has drastically changed the financial payment landscape since its launch in 2016. The prominent growth of UPI has become the foundation of the Indian digital economy. This is because UPI has made user-to-user remittance and merchant payments easier than ever before. Research indicates that UPI has received high levels of adoption. Various platforms such as Gpay, PhonePe, and Paytm served as the initial triggers for the widespread use of UPI payments, ensuring access to people.

Researchers have labelled the phenomenon of the digitization of money as payment invisibility. Frictionless digital transactions replace the tangibility of parting with money [4, 5]. Also, digital facilitation alters the psychological relationship between consumers and their expense decisions [6]. This results in reckless expenditure and a lack of financial awareness. A survey done on 235 Indian UPI users reports that 75% users increased expenditure, and only 7% reduced expenditure [7].

Various demographic factors are identified as substantial contributors to UPI adoption and usage patterns. Research indicates that income, age, education, and credit scores are most influential in the adaptation and usage of digital platforms. The most predictive is age, because of the generational effect of ownership and familiarity with smartphones. Younger generations show huge adoption and usage rates compared to the older generation [8]. Adoption and usage patterns also depend on income level. Whereas gender deviation in UPI adoption and usage patterns gives mixed findings. Some researchers suggest that age, education, and banking experiences affect adoption, but income, occupation, and gender might affect usage.

2.2 Digital Financial Literacy

Digital financial literacy signifies both traditional financial knowledge and knowledge particular to digital financial tech. This concept expands beyond operational expertise to

encompass an understanding of digital payment risk, privacy repercussions, transaction tracing methods, and basic knowledge of navigation through fintech.

Financial literacy has received strong empirical support for being vital in preventing negative consequences of digitalisation. It moderates the effect of overspending via digital transactions. Studies using large consumer data implore that UPI/digital fintech users encounter a higher risk of overspending than traditional users. The association between digital payments and spending or saving behavior is highly moderated by digital financial literacy. A study found that digital payments increase financial vulnerability in the younger generation and low financial literacy population [9].

The studies prove that financial literacy does not behave as a cognitive buffer against the psychological stimulations that promote splurging in a digital context [9]. Digitally savvy users use protective and compensatory tactics. These tactics often include budget monitoring, transaction tracking, and limit setting. Whereas, academicians also point out the risk. A user with inadequate knowledge and overconfidence in one's ability might increase damaging financial behaviors [10]. This indicates that the defensive impact of digital literacy works on both theoretical knowledge and consciousness of one's ability.

2.3 Financial Mismanagement (FMM) and Behavioral Aspects

Financial mismanagement in UPI usage often appears through various behavioral patterns. These indicators weaken the financial health of consumers. Existing literature implies that high digital payment tech usage is connected to a high chance of financial exposure. These manifest through splurging on credit cards, using high-cost debts, nonpayment of cheques, and having insufficient emergency funds [10]. This trend indicates that FMM consists of not one but various observable dimensions. The physicality of giving cash makes individuals aware of their spending habits [11]. This tangibility satisfies purchase signal impulsivity or boredom [12]. In contrast, digital purchases do not compensate for the effect of satisfaction on human minds. Since there is no physical contact, it often does not reward immediately [13]. For example, online shopping can be fast and easy, but the receipt of goods is often delayed, which encourages more impulse buying [14]. Also, Faraz & Anjum [11] show that women are more susceptible to impulse purchases.

3 Methodology

The study utilizes a quantitative and exploratory design to understand the factors influencing financial mismanagement. The online questionnaire was measured on a five-point Likert scale, from 1 as strongly disagree to 5 as strongly agree. The questionnaire was structured to summarize individual experience with UPI use, their financial practices, and their familiarity of digital finance. Data was gathered from 119 UPI users, and after excluding inappropriate and incomplete responses, 101 responses were utilized for empirical analysis. A random sampling method was used for sample collection. Responses are collected using a structured online questionnaire. Online Google form was sent to users through social media such as LinkedIn platforms. Thus, it ensures participation from active users of the digital payment application.

The study is dependent on three main constructs: UPI usage, financial mismanagement, and digital financial literacy. Financial mismanagement was measured through variables such as impulse buying, lack of expense tracking, weak budgeting, and digital convenience driven overspending. Digital financial literacy is tracked by their awareness of transaction caps, fraud assessment, money security, and privacy habits. This study uses R software to analyse the dataset. Exploratory factor analysis was utilized to understand the behavioral aspects of financial mismanagement.

4 Results and Discussion

The sample mostly contains urban and semi-urban, highly literate individual respondents (Figure 1). The respondents are largely of working age, certifying relative homogeneity in digital exposure for users (Figure 2). Table 1 shows the income category and gender distribution in that income category. The reliability test shows adequate internal consistency. KMO and Bartlett's test value are 0.70 and 0.000, respectively. The Cronbach's alpha value for digital literacy is 0.80, for financial mismanagement is 0.70, and for monitoring deficit is 0.65.

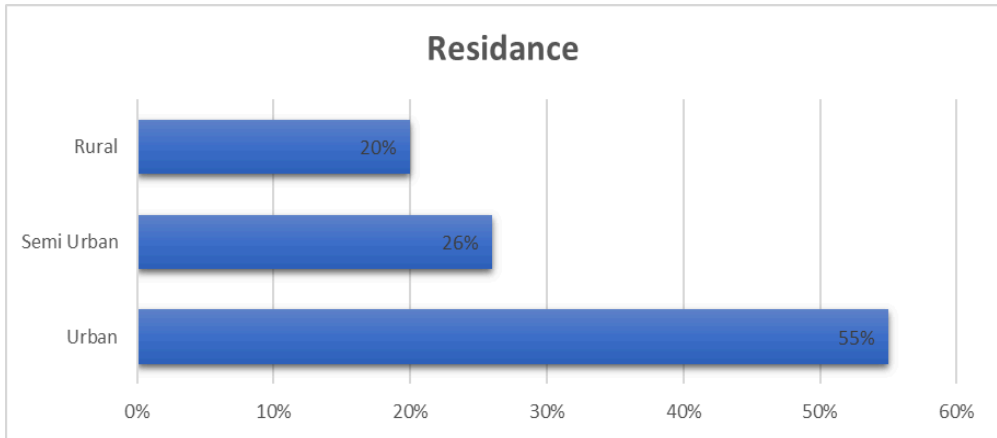


Fig. 1. Sample Residence.

Source: Author's Own.

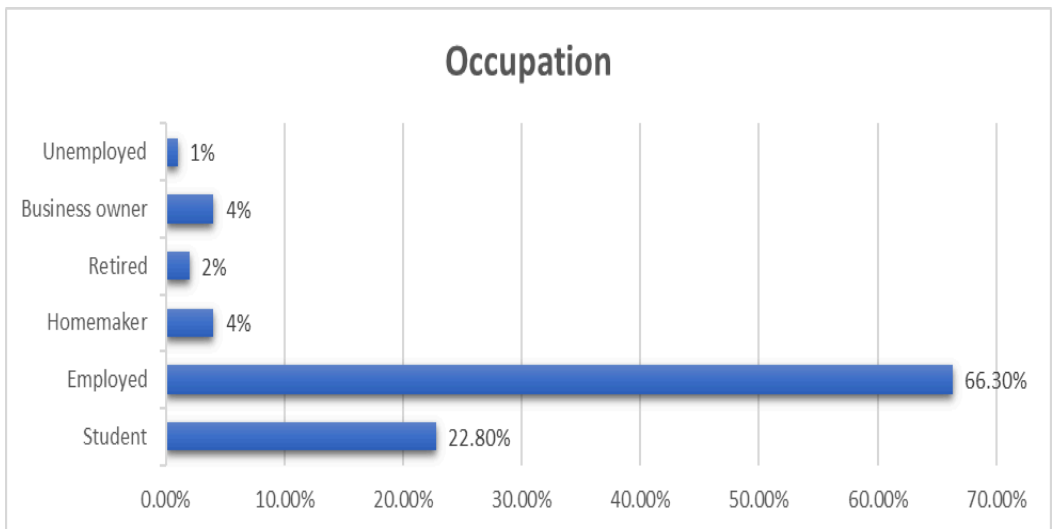


Fig. 2. Sample Occupation.

Source: Author's Own.

Table 1. Descriptive Statistics.

Category	No. of Respondents
₹1,00,000–₹1,50,000	19
Female	7
Male	12
₹50,000–₹1,00,000	19
Female	6
Male	13
Above ₹1,50,000	26
Female	5
Male	21
Below ₹50,000	26
Female	12
Male	14
NA	11
Female	6
Male	5
Grand Total	101

Source: Author's Own.

Table 2. Reliability Test.

Kaiser-Meyer-Olkin (KMO) Measure of Factor Adequacy	0.70
<i>Bartlett's Test of Sphericity</i>	
Approx. Chi-Square	568.8547
df.	190
Sig.	0.000

Source: Author's Own.

Principal component analysis with varimax rotation equates financial mismanagement as a multifaceted concept. Items with loading of more than 0.30 were retained for factor formulation. The results show three major factors that influence mismanagement. But parallel analysis only shows two components. The study retains three factors for theoretical purposes. The extracted factors have a cumulative variance of 0.43. Individually, Digital Financial Literacy explains the variance of 20%, Factor 2 Financial Discipline explains 13%, and Factor 3 Financial Negligence 10%. Factor 1 Digital Financial Literacy contains 9 items, Factor 2 Financial Discipline contains 7 items, and Factor 3 Financial Negligence contains 3 items (Table 3).

In essence, the results show that digital literacy is significantly related to financial mismanagement, though its impact is limited. Also, mismanagement in the digital platforms

scenario is built on behavioural factors. Demographic factors like age, frequency of UPI usage, and occupation appear as key contexts affecting these behavioral factors.

This study contributes by highlighting that digital knowledge and skills do not translate into financial control. Users with high scores on awareness (Factor 1: Digital Financial Literacy) still showed hints of inadequate planning (Factor 3: Financial Negligence) and Financial Discipline (Factor 2). This shows that digital literacy does not always mean better financial practices. Factor 3 confirms that even consistent users neglect emergency funds and sidestep revisiting transactions, signifying that budgeting habits require active participation beyond digital literacy. The results showcase the opportunity to integrate behavior-targeted designs. In the analysis, tracking negligence (0.55) and exceeding budget (0.59) in Factor 2 Financial Discipline indicates that users do not monitor their expenses. Also, two high-loading behavioral aspects were physical separation from money (0.74) and impulse purchase due to offers (0.52), indicating that rewards and offers are actively amplifying mismanagement. Depending on user knowledge alone may be unsuccessful without a cooperative structural design to curb financial mismanagement. Digital Financial Literacy (Factor 1) and Financial Discipline (Factor 2) show a clear separation between awareness and financial habits.

The study indicates the need for a shift in the digital financial inclusion perspective. It should move from access and literacy to user security through psychological restraint. The behavioral aspect (Factors 2 and 3) together explain 23% of the variance, whereas Digital Financial Literacy (Factor 1) explains only 20% of the variance, suggesting a higher behavioral contribution instead of literacy. The digital literacy curriculum should incorporate training on employing financial discipline. As high loading in Factor 3 is a lack of emergency funds (0.77), this represents a planning issue, not financial illiteracy. This shows that literacy instruction cannot fix this alone. The study sample is mostly urban, working age, and literate, yet financial mismanagement factors appeared, showing vulnerability to mismanagement even with literacy.

The study presents the digital finance field by showing that digital literacy plays an essential but inadequate role in reducing financial mismanagement. This study furthers the extant frameworks by establishing that financial mismanagement in the digital era is multidimensional and behaviourally oriented. Users should focus on budgeting, expense awareness, and an emergency fund. Elements like live budget alerts, spending summaries, deferred cashback rewards, and structured spending constraints can address the behavioral mismanagement traits. Additionally, regulations should be introduced to improve spending control and transparency in marketing strategies. Also, practical training on financial discipline should be added to the financial inclusion curriculum. Policies should be specifically constituted for urban and salaried populations with repetitive UPI usage.

Table 3. Factor Analysis.

Factor 1 — Digital Financial Literacy ($\alpha = 0.80$) — 9 items	
Securely linking bank A/c	0.61
Alert of limits and charges	0.65
Cognition of scams	0.63
Raising complaint	0.76
Using protective app lock	0.68
Rewards and cashback understanding	0.63
Aware of updates and permissions	0.35

Know the Card vs UPI difference	0.65
Confidence using UPI	0.66
Factor 2 — Digital Financial Discipline ($\alpha = 0.70$) — 7 items	
Exceeding planned budget (reverse)	0.59
Digital Splurging because of Physical Detachment (reverse)	0.74
Tracking neglect (reverse)	0.55
Setting monthly budget	0.45
Paying late fees due to the app (reverse)	0.56
Money shortage due to the UPI (reverse)	0.71
UPI purchase regret (reverse)	0.47
Factor 3 — Financial Negligence ($\alpha = 0.65$) — 3 items	
Impulse Buying due to offers	0.52
Reviewing transaction history	0.73
No backup for emergencies	0.77

Source: Author's Own.

5 Conclusion and Limitation

The study determines the factors affecting the personal financial mismanagement of UPI users. Using data from 101 respondents, the findings identify three factors related to digital literacy and financial mismanagement. The factor loadings indicate not only literacy but financial negligence and lack of financial discipline also strongly influence financial management. In the digital era, financial mismanagement emerges as a multifaceted behavioural trait. These are marked by budget overruns, poor planning, and impulsive spending. The findings indicate that while digital payment platforms enhance operational convenience, they may simultaneously weaken financial discipline. Also, lack of physicality can amplify mismanagement tendencies. The study suffers from some limitations. First, the use of self-reported data, which can limit cause-and-effect reasoning, may also induce response bias. Also, Factor 3 may need more items for reliability. Second, generalizability: the small sample may make the structure unstable and could be different with a larger sample. Lastly, financial mismanagement may be impacted by unobserved behaviors and contextual factors, which are not covered in the survey.

6 Future Direction

For future studies on financial mismanagement, researchers can utilise a longitudinal or experimental strategy to understand the evolution of digital financial literacy and financial mismanagement over time. Researchers can explore the individual and collective role of psychological traits, monetary stress, and digital platforms' facilities, such as buy now pay later. Increasing the sample size across regions will provide validity and stability to the factors.

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