

Influence of NBFC on Spending Behaviour: Study with Reference to Digital Wallets



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Ayush G Kottary

Prajna P B

Swati Prabhu

St Aloysius (Deemed to be University)

(ayush_kottary@staloysius.edu.in)

(prajnapb25@gmail.com)

(swati20prabhu@gmail.com)

In the digital financial revolution era, Non-Banking Financial Companies (NBFCs) and digital payment systems have significantly reshaped the financial landscape. This study employs the UTAUT model to explore how NBFC services, delivered through digital wallets and payment systems, influence consumer spending behaviour. The findings reveal a significant relationship between NBFC services and spending patterns via digital wallets and payment platforms. Understanding these dynamics is crucial for stakeholders aiming to foster financial inclusion and build a more sustainable, accessible financial ecosystem.

Keywords: NBFC, Digital Wallets, Digital Payment Systems, Spending Behaviour, Financial Self-Efficacy

1. Introduction

Digital payments have revolutionised the financial landscape, transforming how individuals conduct financial transactions and demanding seamless and convenient access to financial services. Non-Banking Financial Companies (NBFCs), comprising technology companies, retailers, mobility players, and telecom providers, have capitalised on this trend by integrating financial solutions into their existing products and services. This forward-thinking strategy elevates customer satisfaction, diversifies business portfolios, and unlocks fresh revenue opportunities. Over the past few years, NBFCs have successfully incorporated a range of financial solutions, including e-wallets, accounts, payments, investments, insurance, and lending products, significantly contributing to India's payments landscape and introducing innovative products and services that cater to diverse customer needs.

Leveraging cutting-edge technologies such as artificial intelligence, blockchain, and mobile commerce, NBFCs have made digital payments more convenient, secure and accessible, enabling user-friendly offerings and enhanced customer satisfaction. With the growing adoption of digital wallets, NBFCs have emerged as key players in the financial ecosystem, warranting an examination of their effects on consumer spending behaviour.

With the convergence of technology and finance, NBFCs are poised to introduce more innovative payment solutions, bridging the gap between traditional payments and evolving customer requirements. Strategic partnerships and collaborations between financial institutions, banks and NBFCs will further enhance the payments ecosystem, providing comprehensive payment solutions to customers. The digital wallet revolution pioneered by NBFCs will continue, transforming the payments space with future innovations such as contactless payments, QR code-based transactions, and biometric authentication.

The future of NBFC service offerings in the payments domain is dynamic, exciting, and ripe with opportunities for continued innovation and growth. With the increasing adoption of digital payments, NBFCs are well-positioned to play a pivotal role in shaping India's financial landscape, promoting financial inclusion and driving economic growth.

2. Review of Literature

Digital Wallet Usage implies the usage of software that stores payment information and is used to make purchases without carrying cash and cards. The performance positively influences digital wallet adoption (Venkatesh et al., 2012). Convenience and speed enhance the digital wallet usage (Kim et al., 2019). Digital wallets have a user-friendly interface and ease of navigation, which increases performance expectancy (Lee et al., 2020).

Financial Self-efficacy (FSE) refers to one's belief in his or her ability to achieve financial goals. Confidence in managing finances and making financial decisions defines a person's spending behaviour. Psychometric Properties are highly associated with financial behaviour and are predictive of one's savings and debt (Dew & Xiao, 2011). FSE positively influences financial behaviour like savings and investing. (Kim et al., 2018) Study shows that a FSE mediates the relationship between financial literacy and financial well-being (Shim, 2009).

NBFCs shape financial habits through social influence. Research has shown that social norms and word-of-mouth significantly impact individuals' intentions to use NBFC services (Kumar et al., 2020, p. 40). Moreover, social influence has been identified as a key factor in promoting financial literacy and NBFC adoption among rural households (Singh et al., 2019, p. 248).

Reward Sensitivity refers to an individual's tendency to respond to rewarding stimuli. Studies show that Reward sensitivity influences consumer choice and decision-making (Kahneman & Tversky, 1979). Reward sensitivity positively correlates with impulsive spending and financial risk-taking (Cyders & Smith, 2008). Financial incentives, social recognition and emotional

gratification are prone to be addictive. Highly rewarded sensitive individuals are more susceptible to addictive behaviour (Kring & Bachorowski, 1999).

Behavioural intention refers to an individual's subjective probability of performing a specific behaviour. The results show that factors like perceived ease of use (PEOU), perceived usefulness (PU), trust, security, facilitating conditions and lifestyle compatibility have a significant impact on the consumer attitude and intention to use mobile wallets. Chawla, D. and Joshi, H. (2019). The convenience of payment influences the intention to use digital wallets (Kim et al., 2015).

Spending behaviour refers to the patterns and habits individuals exhibit when allocating their financial resources. According to the most recent BAI Consumer Digital Banking Survey, customers exhibit a strong affinity for digital banking services, as evidenced by their frequent usage (BAI, 2022). A study examining the impact of digital banking on students' lifestyles revealed that transaction convenience and discounts have a significant influence on their daily lives Rompas, R., Pangemanan, S., and Tulung, J. (2020)

3. Theoretical and Conceptual Framework

The Unified Theory of Acceptance and Use of Technology (UTAUT) model is a framework developed by Venkatesh et al. (2003) to explain and predict user acceptance and usage of technology. It synthesises elements from eight prominent models of technology acceptance to provide a comprehensive view of the factors influencing whether people adopt new technologies.

6 constructs under the UTAUT Model:

Performance Expectancy: The degree to which an individual believes that using a digital wallet improves their financial performance (Davis et al. 1989).

Variable: Digital Wallet Usage: It refers to the users' belief that using a digital wallet will improve their ability to perform financial tasks effectively.

Effort Expectancy: The degree to which an individual believes using the technology will be easy and require minimal effort (Davis et al. 1989).

Variable: Financial Self-Efficacy: It refers to users' confidence in managing financial tasks using the digital wallet.

Social Influence: The extent to which an individual believes that key people in their life (such as colleagues, friends, family, or supervisors) expect them to use the technology.

Variable: NBFC influence: Refers to the various factors that influence the usage of NBFC through digital wallets.

Facilitating Conditions: The extent to which a condition or factor supports the use of a technology.

Variable: Reward Sensitivity: This refers to an individual's motivation to engage in behaviours driven by the rewards or incentives they receive.

Behavioural Intention: It represents an individual's intention or readiness to use the technology.

Variable: Behavioural Intention: It refers to the individuals' willingness to adopt and use digital wallets.

User Behaviour: It refers to the actual actions and usage patterns of individuals concerning a given technology.

Variable: Spending Behaviour: This refers to the adoption of the usage of digital wallets.

Relationship between the constructs: The independent constructs are Performance Expectancy, Effort Expectancy, Social Influence and Facilitating Conditions. The dependent construct is behavioural intention.

- Performance Expectancy (PE) → Digital Wallet Usage → Behavioural Intention (BI).

The more a user perceives that a digital wallet improves their financial tasks and transactions, the more they will intend to use it regularly.

- Effort Expectancy (EE) → Financial Self-Efficacy → Behavioural Intention (BI).

If users find digital wallets easy to use and feel capable of using them effectively, they will be more likely to develop a strong intention to adopt the wallet.

- Social Influence (SI) → NBFC Influence → Behavioural Intention (BI).

When users perceive strong social support for technology like NBFC services, they are more likely to intend to adopt the technology.

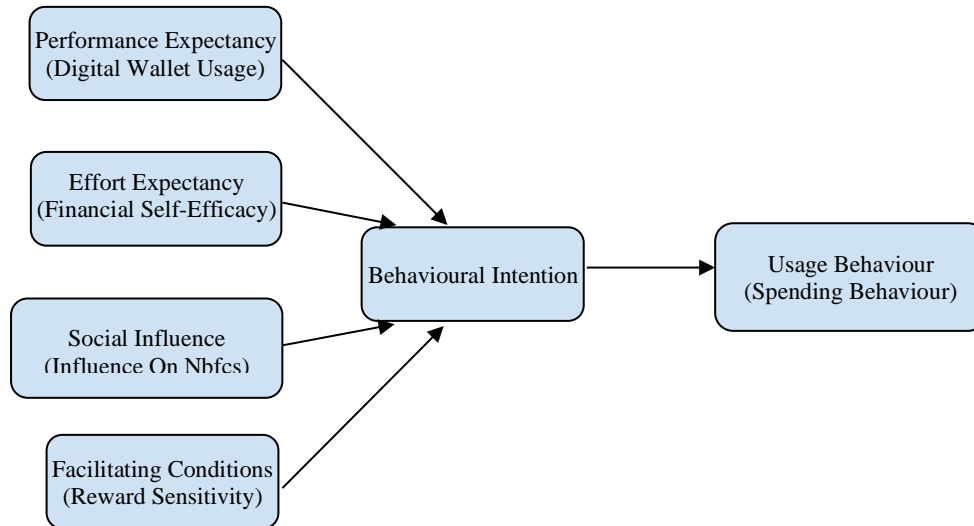
- Facilitating Conditions (FC) → Reward Sensitivity → Behavioural Intention (BI).

If users perceive that digital wallets offer attractive rewards, they are more likely to develop a strong intention to adopt and use the digital wallet.

The independent construct is Behavioural Intention and the dependent construct is Spending Behaviour.

Behavioural Intention (BI) → Spending Behaviour [Usage Behaviour]

The more users intend to use the wallet, the more they are likely to adopt it for various spending activities.



4. Research Methodology

The research employs a quantitative approach with a descriptive-causal design to examine the influence of NBFC services offered, on digital wallets and digital payment systems, on spending behaviour. A total of 151 participants were selected using convenience sampling data and data was collected through a structured questionnaire utilising a Likert scale to assess various constructs, such as performance expectancy, effort expectancy, social influence, facilitating conditions, reward sensitivity, behavioural intention and spending behaviour. The hypothesis has been tested by ANOVA to analyse the impact of these factors on spending behaviour. Cronbach’s Alpha was calculated to assess the internal consistency of the scales. The data analysis was performed using SPSS and ethical guidelines, including informed consent and confidentiality, were strictly followed. This methodology allows for testing the hypothesis that digital wallets and payment systems providing NBFC services significantly influence spending behaviour.

5. Objectives of the Study

The study is based on the following objectives

- To examine the influence of Digital Wallets and Digital Payment Systems offered by NBFCs on Spending behaviour.
- To evaluate the impact of regulatory framework on Digital Wallet and Digital Payments Products/Services offered by NBFCs.
- To investigate the interplay between NBFCs, Financial Self-Efficacy and Spending behaviour.

6. Hypothesis of the Study

H0: NBFC services, offered on digital wallets and digital payment systems, have no significant influence on spending behaviour.

H1: NBFC services offered on digital wallets and payment systems significantly influence spending behaviour.

7. Data Interpretation and Analysis

PERFORMANCE EXPECTANCY →DIGITAL WALLET USAGE→BEHAVIOURAL INTENTION

The results suggest that digital wallet usage has a significant impact on behavioural intention. ($p < 0.01$).

ANOVA ^a						
	Model	Sum of Squares	df	Mean Square	F	Sig.
1	Regression	20.438	3	6.813	18.578	<.001 ^b
	Residual	53.907	147	.367		
	Total	74.344	150			

ANOVA ^a						
	Model	Sum of Squares	df	Mean Square	F	Sig.
1	Regression	20.205	3	6.735	18.287	<.001 ^b
	Residual	54.140	147	.368		
	Total	74.344	150			

EFFORT EXPECTANCY → FINANCIAL SELF EFFICACY → BEHAVIOURAL INTENTION

The results suggest that financial self-efficacy has a significant impact on behavioural intention. ($p < 0.01$).

Social Influence → Influence On Nbf → Behavioural Intention

The results suggest the influence of NBFCs has a significant impact on behavioural intention. ($p < 0.01$).

ANOVA ^a						
	Model	Sum of Squares	df	Mean Square	F	Sig.
1	Regression	11.826	3	3.942	9.269	<.001 ^b
	Residual	62.519	147	.425		
	Total	74.344	150			

Facilitating Conditions → Reward Sensitivity → Behavioural Intention

The results suggest that reward sensitivity has a significant impact on behavioural intention. ($p < 0.01$).

ANOVA ^a						
	Model	Sum of Squares	df	Mean Square	F	Sig.
1	Regression	11.663	3	3.888	9.118	<.001 ^b
	Residual	62.681	147	.426		
	Total	74.344	150			

Behavioural Intention → Spending Behaviour

The results suggest that behavioural intention has a significant impact on spending behaviour. ($p < 0.01$).

ANOVA ^a						
	Model	Sum of Squares	df	Mean Square	F	Sig.
1	Regression	31.259	3	10.420	24.522	<.001 ^b
	Residual	62.463	147	.425		
	Total	93.722	150			

- **H0:** There is no significant influence of NBFC services, offered on the digital wallet and digital payment systems, on spending behaviour.
- **H1:** There is a significant influence of NBFC services, offered on digital wallet and digital payment systems, on spending behaviour.

The null hypothesis is rejected indicating there is a significant influence of NBFC services offered through digital wallets and digital payment systems on spending behaviour.

This suggests a positive relationship between NBFC services through digital wallets and digital payment systems and spending behaviour.

8. Findings

- NBFCs play a dual role in shaping spending behaviour. On one hand, NBFCs enhance financial self-efficacy by providing access to financial services, leading to responsible spending habits. On the other hand, NBFC credit services may encourage overspending among individuals with low financial self-efficacy.
- The regulatory framework governing NBFC services in digital wallets has proven to be more effective than traditional methods, significantly influencing individuals' intention to use these services.
- Individuals who perceive digital wallets as convenient and easy to use are more likely to develop a positive behavioural intention to adopt them.
- Users with higher financial self-efficacy are more likely to intend to use NBFC services through digital wallets.
- NBFC recommendations increase behavioural intention to adopt NBFC services.
- Individuals with high reward sensitivity are more likely to use NBFC services on digital wallets for rewards and benefits.
- Individuals intending to use NBFC services through digital wallets are likelier to use the services.
- The study indicates a positive correlation between the use of NBFC services via digital wallets and payment systems and consumer spending behaviour

9. Conclusion

This research highlights the pivotal role of Non-Banking Financial Companies (NBFCs) in shaping consumer spending

behaviours within the digital wallet ecosystem. By applying the UTAUT model, we uncover the complex interplay between key factors—performance expectancy, effort expectancy, social influence and facilitating conditions—that drive consumers' adoption of NBFC services. Our findings reveal a dual impact: while NBFCs can enhance financial self-efficacy, leading to responsible spending habits, they may also encourage overspending among individuals with lower self-efficacy, particularly through credit services.

The study underscores the importance of balancing accessibility with ethical considerations in NBFC offerings, advocating for a focus on responsible financial practices. The integration of AI-driven personalised financial solutions presents significant potential to revolutionise the fintech landscape. By leveraging technology, NBFCs can promote financial inclusion while simultaneously encouraging responsible spending behaviours.

However, the successful adoption of these services hinges on developing robust security measures to instil trust and confidence among consumers. In conclusion, this research provides valuable insights into the dynamic relationship between NBFCs, digital wallets, and consumer behaviour. Understanding these dynamics will enable stakeholders—policymakers, fintech companies, and regulators—to collaborate effectively in creating a financially inclusive and sustainable future.

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