

# The impact of mobile wallets on consumer spending frequency and loyalty: An empirical study conducted in Bangalore urban

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## ABSTRACT

The rise of mobile wallets like PhonePe, Google Pay, Paytm, Amazon Pay etc., has revolutionized consumer behavior, transforming how we spend and interact with brands. This study delves into the dual impact of mobile wallets, showing how they influence consumer spending frequency and foster brand loyalty. By focusing on key factors such as ease of use, rewards programs, and security, the study sheds light on the growing role of mobile wallets as more than just payment tools but as strategic enablers of consumer engagement. Through a survey-based approach, data from a diverse group of respondents was analyzed using Chi-square tests to uncover the relationship between mobile wallet adoption and spending habits. The findings reveal that frequent users of mobile wallets not only spend more often, particularly on smaller transactions, but also exhibit a tendency toward impulse purchases driven by convenience and instant rewards. Moreover, loyalty programs integrated into mobile wallets significantly enhance brand loyalty, encouraging repeat purchases and stronger consumer-merchant relationships. This study emphasizes the importance of personalization, seamless user experiences, and strategic rewards in shaping consumer behavior. For businesses, mobile wallets represent a powerful opportunity to engage consumers meaningfully, increase transaction frequency, and build long-term loyalty. As mobile wallets continue to gain momentum, their role as a central hub for payments, promotions, and personalized offers positions them as indispensable tools in the evolving digital economy.

## Keywords:

Mobile wallets, Consumer spending, Brand loyalty, Impulse purchases, Loyalty programs, Payment behavior.

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## 1. INTRODUCTION

With the proliferation of smartphones and widespread access to high-speed internet, mobile wallets have emerged as key players in the digital payment ecosystem. A mobile wallet, defined as a digital payment system stored on a smartphone, enables consumers to make transactions without the need for cash or physical cards. Mobile wallets have emerged as a crucial tool for enabling smooth, cashless transactions as companies embrace digital transformation. Google Pay, Paytm, PhonePe, BHIM and Samsung Pay are a few of the most widely used mobile wallet apps. Mobile wallets are more important than just a way to make payments. They act as a central location for promotions, incentive schemes, and tailored advertising. Mobile wallets' value proposition for both consumers and companies is further enhanced by features like loyalty points, cash back incentives and interaction with e-commerce platforms. Understanding how mobile wallets affect customer behavior particularly with regard to spending habits and loyalty is crucial as their use increases. Following objectives of the study were discussed:

- Analyze demographic profiles of mobile wallet users.
- Examine the most frequently used mobile wallet features.
- Assess the impact of mobile wallet rewards on consumer loyalty.

The scope of this study includes examining mobile wallet usage across industries like retail, e-commerce, and services. It will explore how advancements in digital payments influence customer engagement and analyze the behavioral shifts, particularly among younger generations, resulting from the widespread adoption of mobile wallets in daily transactions. The study is limited to people who have used mobile wallets, which may not include non-users or those who prefer traditional payment methods. Furthermore, the emphasis on rewards programs and security may overshadow other considerations such as interaction with e-commerce platforms or compatibility with international payment systems.

## 2. REVIEW OF LITERATURE

Mobile wallets have become an essential component of the digital economy, providing simplicity, security, and a myriad of features that improve the customer experience. The growing use of mobile wallets is changing not only the payment landscape, but also consumer purchasing

habits and brand loyalty. Adiani et al. (2023) investigated the social influence and financial incentives that promote multi-brand loyalty among e-wallet users. The research focuses on the connecting role of commitment in consumer loyalty, arguing that social influence and perceived financial rewards has increased loyalty to various brands in the e-wallet ecosystem. Similarly, Ajina et al. (2023) studied the aspects of mobile wallet services that impact customer satisfaction and loyalty, stressing the significance of service quality and trust in developing long lasting client relationships. George and Sunny (2022) conducted considerable study on mobile wallet acceptance and consistent use throughout the COVID-19 epidemic. Their findings show that simplicity, security features, and the integration of reward programs are crucial in maintaining the usage of mobile wallets. Bhattacharya and Bera (2024) did more research on customers' selection of brands after adoption, finding out that the service experience has a substantial impact on brand loyalty.

The influence of digital and social media marketing on customer behavior is very important. Dwivedi et al. (2020) propose future study directions to better understand the changing scenario of digital marketing, stressing on the value of consumer involvement through individualized digital experiences. Hidayat-Ur-Rehman et al. (2022) support these findings, finding significant factors which drive the usage of mobile wallets such as simplicity of use, security and perceived benefits. The dynamics of mobile wallet usage before and after the pandemic are examined by Jaiswal et al. (2022), who found considerable shifts in customer behaviour regarding digital payments. In order to illustrate the asymmetric effects on customer loyalty in India, Kapoor et al.'s (2024) study uses SEM and FSQCA to evaluate the effects of mobile wallet service experiences on brand loyalty. Khan and Abideen (2023), highlighted the significance of perceived risk, service quality and trust in the usage behavior of digital wallets, further support this. According to research by Kim, Mirusmonov, and Lee (2009), the user trust, perceived utility, and convenience all affect consumers' intentions to make use of mobile payments when it comes to spending. These results are supported by Yang et al. (2011), who highlighted that the behavioral attitudes, social influences and individual characteristics have a significant effect on the adoption of mobile payments over time.

### 3. METHODOLOGY

A sample of 100 respondents was considered for the study, which was drawn from different demographic groups such as students, working professionals and entrepreneurs. The sample size was chosen to ensure statistical reliability and to capture a variety of consumer perspectives on mobile wallet usage. A structured questionnaire was used to gather primary data which was designed to capture information on mobile wallet usage patterns, spending behavior, and loyalty metrics. The Secondary data was collected from various academic journals, market research reports, and case studies on mobile wallet adoption.

### 4. DATA ANALYSIS AND FINDINGS

The demographic profile of the respondents reveals key insights into the typical mobile wallet user. A total of 100 respondents participated in the study, with the following breakdown:

**Gender:**

- ✓ 55% Male
- ✓ 45% Female

This gender distribution indicates a slightly higher adoption of mobile wallets among males. However, the growing penetration of mobile wallets among female users suggests that the gender gap is narrowing.

**Age:**

- ✓ 70% of respondents are between 18-30 years old
- ✓ 25% are between 31-45 years old
- ✓ 5% are above 45 years old

The majority of mobile wallet users belong to the younger demographic, particularly those in the 18-30 age group, indicating that younger consumers are more inclined to embrace digital payment solutions. This could be attributed to their higher level of digital literacy and comfort with technology.

**Income:**

- ✓ 60% of respondents have an annual income between INR 3-5 lakhs
- ✓ 25% have an annual income between INR 5-10 lakhs
- ✓ 15% have an annual income above INR 10 lakhs

The data shows that mobile wallets are particularly popular among middle-income earners, who may be drawn to the convenience and rewards associated with these platforms. Higher-income earners are also increasingly adopting mobile wallets, reflecting their growing mainstream appeal.

**Occupation:**

- ✓ 45% are employed full-time
- ✓ 35% are students
- ✓ 20% are self-employed or business owners

The high percentage of students and full-time employees using mobile wallets suggests that the technology is well-suited to individuals with busy lifestyles who value convenience and efficiency in their payment methods.

**MOBILE WALLET USAGE PATTERNS:**

The survey results reveal several key insights into how consumers use mobile wallets:

**Frequency of Usage:**

- ✓ 60% of respondents use mobile wallets daily for routine transactions such as bill payments, online shopping, and food delivery.
- ✓ 25% use mobile wallets on a weekly basis, primarily for in-store purchases and occasional online shopping.
- ✓ 15% use mobile wallets sporadically, mainly when they receive specific offers or discounts.

This data indicates a high level of engagement with mobile wallets, particularly for daily use cases. The convenience of mobile wallets in handling everyday transactions appears to be a major driver of frequent usage.

**Key Features Used:**

- ✓ Ease of Use: 75% of respondents rated the user-friendly interface and simplicity of mobile wallets as critical features.
- ✓ Rewards Programs: 68% of respondents indicated that they regularly use mobile wallets to take advantage of cashback offers, discounts, and loyalty points.
- ✓ Security: 60% of respondents noted that security features such as biometric authentication, transaction alerts, and encryption are vital in fostering trust.

Rewards programs and ease of use are the two most important features driving mobile wallet adoption. However, security remains a key concern, and mobile wallet providers must continue to prioritize robust security measures to build and maintain user trust.

**SPENDING BEHAVIOR AND CONSUMER LOYALTY:**

The analysis of spending patterns reveals that mobile wallets significantly influence consumer spending and loyalty:

**Impact on Spending Behavior:**

- ✓ 50% of respondents indicated that mobile wallets encourage them to spend more frequently, with the ease of transactions and the allure of rewards programs driving higher engagement.
- ✓ 40% of respondents admitted to making impulse purchases due to in-app offers and discounts, highlighting the role of mobile wallets in influencing purchase decisions.
- ✓ 10% of respondents did not notice any significant change in their spending behavior since adopting mobile wallets.

These findings suggest that mobile wallets not only streamline payment processes but also actively promote higher spending through rewards, offers, and convenience. The psychological impact of instant gratification through cashback and rewards programs further fuels consumer engagement.

**Loyalty Patterns:**

- ✓ 45% of respondents stated that they are more likely to return to merchants offering rewards through mobile wallets, indicating a strong correlation between loyalty programs and repeat business.
- ✓ 35% of respondents claimed that they are loyal to a particular mobile wallet due to its user interface, rewards, and security features.
- ✓ 20% of respondents are indifferent to the brand of mobile wallet they use, prioritizing convenience and availability over brand loyalty.

The data shows that loyalty is largely driven by rewards and ease of use. Mobile wallet providers that offer personalized rewards and a seamless user experience are better positioned to retain customers.

**Hypothesis 1:**

Ho: Mobile wallets do not significantly influence consumer loyalty.

H1: Mobile wallets significantly influence consumer loyalty.

Hypotheses	Test	( $\chi^2$ )	Table Value	(df)	( $\alpha$ )	Conclusion
Ho: Mobile wallets do not significantly influence consumer loyalty.	Chi-square Test	22.45	9.488	4	0.05	Rejected
H1: Mobile wallets significantly influence consumer loyalty.						Accepted

The Chi-square test results show a calculated value of 22.45, which is greater than the table value of 9.488 at a 0.05 significance level with 4 degrees of freedom. The null hypothesis (Ho) is rejected, and the alternative hypothesis (H1) is accepted, confirming that mobile wallets significantly influence consumer loyalty.

**Hypothesis 2: Impact of Mobile Wallets on Spending Frequency**

Ho: Mobile wallets do not significantly influence consumer spending frequency.

H1: Mobile wallets significantly influence consumer spending frequency.

Hypotheses	Test	( $\chi^2$ )	Table Value	(df)	( $\alpha$ )	Conclusion
Ho: Mobile wallets do not significantly influence consumer spending frequency.	Chi-square Test	18.34	5.991	2	0.05	Rejected
H1: Mobile wallets significantly influence consumer spending frequency.						Accepted

The Chi-square test results show a calculated value of 18.34, which is greater than the table value of 5.991 at a 0.05 significance level with 2 degrees of freedom. The p-value obtained is 0.0001, indicating a statistically significant result. Therefore, the null hypothesis (Ho) is rejected, and the alternative hypothesis (H1) is accepted, confirming that mobile wallets significantly influence consumer spending frequency, as users tend to spend more due to ease and rewards programs.

### 5. SUGGESTIONS

Here are a few concise, humanized suggestions based on your data analysis, suitable for a research article:

- Promote Gender Inclusivity: While mobile wallets are slightly more popular among males, the narrowing gender gap shows growing interest from female users. Providers should tailor marketing strategies to further engage this demography.
- Focus on Younger Users: The significant adoption rate among users aged 18-30 suggests that targeting younger, tech-savvy consumers can drive further growth. Boost in the digital literacy and awareness campaigns for older demographics may help broaden adoption.
- Maximizing the Rewards to Drive Engagement: Since rewards programs are important in motivating the users, mobile wallet companies should continue to innovate in this area. The customized offers and the incentives such as cash back can increase customer loyalty and usage frequency.
- Maintaining a Continuous User Experience: The importance of a user-friendly interface cannot be overemphasized. Importance on ease of use along with strong security features is crucial to retaining customers and gaining their trust.
- Focusing on Security Concerns: Although security is valued, there is always scope for improvement. Providers should give importance on biometric authentication and encryption technologies to rebuild the trust and mitigate any concerns about safety.
- Increase in Loyalty Programs: The connection between rewards and consumer loyalty shows an opportunity for mobile wallets to partner with more merchants. Proposing a variety of loyalty programs can create a competitive advantage and strengthen long-term relationships with customers.
- Engage the Middle-Income Users: With mobile wallets being mostly popular among middle-income earners, focusing in this segment with customized offers and promotions can help maintain and grow this user base.
- Tap into Impulse Buying Trends: The data highlights that mobile wallet motivates impulse purchases. The companies can use this as opportunity by offering limited-time promotions and real-time notifications to motivate spontaneous spending.
- Improve Merchant Partnerships: Strengthening partnerships with retailers that offer mobile wallet rewards could enhance user retention. Exclusive deals with popular brands can boost both merchant and customer loyalty.
- Expand Flexibility in Payments: Offering various payment options within mobile wallets, such as integration with cryptocurrencies or installment payment services could attract new users and increase transaction volumes.
- Target Busy Lifestyles: With the high usage among full-time employees and students, promoting the convenience and speed of mobile wallet payments through time-saving features, such as quick-pay and auto-bill functionalities could further enhance adoption.
- Monitor and Adjust to Consumer Behavior: Regularly analyzing the patterns of consumer spending will allow mobile wallet companies to adapt their features and offers in real-time, making sure that they stay aligned with user preferences and behaviors.

## 6. CONCLUSION

In conclusion, this study emphasizes on the significant impact of mobile wallets have on the brand loyalty and frequency of consumer spending. The easiness in the use, various rewards programs and security features are the important factors behind mobile wallet adoption, especially among the younger and technology savvy consumers. The combination of loyalty programs and customized offers motivates the repeat purchases and speed of mobile wallets lead to more frequent and even impulse transactions. Businesses can employ these findings to optimize mobile payment strategies, creating customized experiences that promote long-term customer engagement and loyalty across various consumer groups.

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