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Address for correspondence:
Vaibhavi Salvi
(Maa.24.59) M.com (Advanced Accountancy) SIES (Nerul) College of Arts, Science and Commerce (Autonomous)
Email:
vaibhavisalvi0973@gmail.com

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Use of Credit Vs. Cash in Daily Life: A Comparative Study

Vaibhavi Salvi
(Maa.24.59) M.com (Advanced Accountancy) SIES (Nerul) College of Arts, Science and Commerce (Autonomous)

Abstract

The manner in which we spend money on daily activities is experiencing a major change in a world that is fast changing digitally. The distinction between credit and cash in everyday life is becoming increasingly severe, as they have their own pros and cons. Credit is convenient, flexible and rewarding and therefore it is an option that is favored by many. But it may as well cause unnecessary expenditure and debts when mismanaged. Cash, conversely, gives a concrete feeling of authority over spending and prevents people from going beyond their budgets and becoming indebted. The cash transactions are also anonymous and this attracts those who appreciate their privacy in terms of financial issues. Nevertheless, cash is misplaced or stolen and its usage is reducing in most of the countries as digital payment is becoming popular. Contactless payments and mobile wallets are replacing the use of cash, but credit still provides flexibility and benefits.

With the shifting environment of payments, it is imperative to know the best combination of credit and cash in personal finance. Our payment choices have an effect on financial literacy, spending habits, as well as economic empowerment. The investigation of the peculiarities of credit and cash use helps people to make correct choices according to their financial interests and principles. This interaction of credit and cash will keep on determining the future of payments and it is necessary to maneuver through these turbulent waters. Technological changes, as well as altered consumer behavior also contribute to the transition to digital payments. Online transactions, mobile wallets and contactless payments are on the rise and are particularly popular with younger generations. This is probably going to be the same trend and the trend of cash will be less evident in regular transactions. Nevertheless, in some cases, money is not going to go away like a small payment or a case of emergency.

Finally, it is a matter of preference and financial conditions and so it is a matter of whether one will use credit or cash. Through knowledge on the positive and negative issues of the two, people are able to make wise choices that fit well to their requirements. Flexibility and financial literacy will come in handy as the payment world keeps changing, with credit and cash becoming the new forms of payment.

Keywords: *Credit, Cash, Digital Payments, Consumer Spending, Financial Behavior, Credit Cards, Budget Management, Debt Management, Financial Stability, Payment Method*

Introduction

These days, people have a bunch of ways to pay for things. Cash is simple—just coins and bills in your hand. Credits are a bit different. You can grab what you need now and pay it off later, usually with a card or some online credit service. Sometimes folks use loans, too. Picking between cash and credit actually changes how you spend, plan your finances, and manage your money overall.

1. Overview of Modern Payment Systems

Paying for things looks a lot different these days. Sure, cash still exists, but now most people reach for their credit or debit cards or just tap their phone and go. Mobile wallets, online banking, and all these digital platforms make spending money a breeze—you don't have to worry about hours or location anymore. Thanks to these tools, transactions happen fast, you can see exactly where your money goes, and keeping tabs on your finances is simpler than ever.

2. Evolution of Credit and Cash Usage

Back then, people mostly paid with paper money for what they bought. As banks grew, so did ways to borrow now and settle later. Thanks to stronger bank networks, plastic cards and internet-based transactions started showing up everywhere. Lately, tapping phones or using apps has made handing over cash feel old-fashioned across numerous countries.

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3. Significance of Payment Choices in Daily Life

Money in hand often keeps spending in check. Yet tapping a card feels easier for many folks. One moment you're handing over bills, next you're signing receipts. Sticking to physical money can prevent going too far into expenses. Swiping instead brings ease when buying things on the move. Each way shapes how clearly someone sees where funds go. Records pile up differently depending on what method gets used. Building trust with lenders tends to follow those who borrow wisely. Holding back with plastic means less risk of surprise debt. How payments happen changes habits without most noticing.

4. Impact on Personal Financial Management

Money habits shape how people manage what they earn. When handled well, borrowing tools boost buying freedom while growing trust with lenders. Yet leaning too hard on those same tools often traps users in cycles of owing. Paying with physical money tends to slow down choices, which sometimes prevents overspending. Mixing careful card use with intentional cash payments creates space to stay steady without losing grip on daily costs.

Research Methodology

Objectives of The Study:

1. To examine the frequency and objective of utilizing credit and cash in daily transactions.
2. To contrast the pros and cons of credit use and cash use.
3. To investigate how the use of credit affects spending and financial discipline.
4. To establish demographic determinants related to credit or cash decisions.
5. To give recommendations on efficient management of finances through credit and cash payments among the consumers.

Hypothesis of the Study:

Hypothesis (I)

H0: (Null Hypothesis)

Belief that credit cards lead to overspending has no significant effect on how often individuals use credit cards.

H1: (Alternative Hypothesis)

Belief that credit cards lead to overspending has a significant negative effect on how often individuals use credit cards.

HYPOTHESIS (II)

H0: (Null Hypothesis)

Age has no significant relationship with the percentage of expenses paid in cash.

H1: (Alternative Hypothesis)

Age has a significant relationship with the percentage of expenses paid in cash.

Scope Of the Study:

The study area of the investigation on Use of Credit vs Cash in Daily Life: A Comparative Study includes a study of the personal payment pattern and choices with reference to credit cards and cash on different expenditures like groceries, bills, outside meals, and entertainment. The study discusses the perceived advantages and disadvantages of credit and cash use such as non-debt, security, improved budgeting, and free interest. This research is based on a sample of 100 respondents who can examine the responses according to demographics like age, level of income, occupation, and level of education. The study is also restricted by geography of its study area that will give us the perspective behind the financial conduct of people in the region. The study's findings can inform financial institutions and policymakers with payment preferences informing the development of focused marketing, financial products, and financial inclusion and promotion efforts for digital payment adoption.

Sampling:

1. Area or Universe of research:

The universe of this study includes individual consumers in Navi Mumbai who make use of different kinds of payments such as cash, credit cards, etc. These are individuals who frequently make use of cash or credit cards for their daily transactions. Hence, this study would be able to assess how their preferred method of payment influences their spending habits and money management in a rapidly digitalizing financial world.

2. Sampling Method: Random sampling method

3. Sample Size: 100 samples

Statement Of Problem:

The present mechanism of the financial transaction is based on the use of cash and the use of credit in the conduct of day-to-day activities. The use of credit cards and the use of digital credits may provide a sense of ease and may provide a number of facilities, but it may also tempt the individuals to spend more than they are capable of spending. The use of cash may prove useful in the management of expenses, but the use of cash is not as easy as the use of credits. Therefore, the pros and cons of the use of cash and the use of credits and the impact of the use of cash and the use of credits on the financial behavior of individuals need to be studied and compared.

Methods Of Data Collection:

Data collection is a systematic process of gathering observations or measurements. Under this study both the Sources of the data has been used i.e. Primary data and Secondary data.

Primary Data: The primary data was collected using a structured questionnaire, for the purpose of collecting the primary data from the consumers of the digital payment applications.

Secondary Data: The sources of secondary data were collected from the Internet, Books, and Articles.

Data Analysis:

Data Analysis tools:

For analysis the information obtained through primary data the tools used are percentages, weighted average, etc.

Data Presentation tools:
The tools used for presentation are: Tables, Graphs, Charts and Diagrams.

Literature Review
Literature review can be defined as a summary of the information accessible on a specific topic. It may also refer to a complete scholarly paper or part of a book or article that is scholarly in nature." A few research works had been conducted which were helpful to this research in an indirect way. The reviews of those research works have been mentioned below:

Systematic Review of Digital Payment in India - 2024 (IJIRMF) The literature review is about the digital transformation of the economy of India. The review includes the analysis of government policies, growth of UPI, and changes in the use of cash. The review concluded that digital infrastructure and incentives were helping to reduce cash usage.

Diary of Consumer Payment Choice - 2024 (Federal Reserve Services) This study offers in-depth insights into how consumers are using cash, credit, debit, and digital payments for day-to-day transactions. It shows how cash payments are declining further, particularly for medium and large transactions, while small transactions continue to favor cash payments.

Digital Payment Adoption: A Bibliometric and Systematic Literature Review - 2024 (SAGE Journals) This study analyzes the global trends in digital payment adoption based on various research works done worldwide. It shows that trust, perceived ease, and financial literacy are the most significant factors for adopting credit and digital payments over cash payments.

Evaluating Cash Versus Digital Payment Methods in Global E-Commerce - 2024 (IJFMR) This study compares the efficiency, security, and satisfaction level of cash-on-delivery and digital payments. It shows that digital payments are efficient and secure, while cash plays an important role in developing countries.

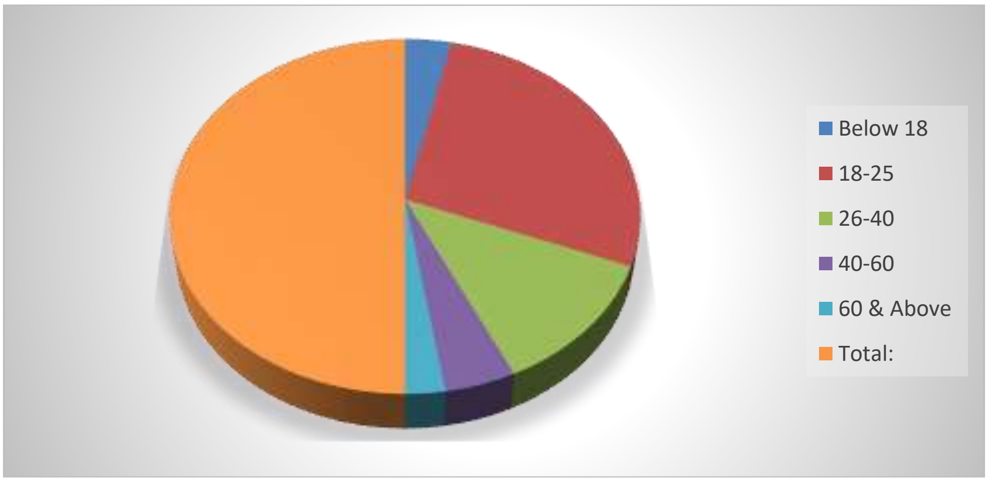
Consumer Behavior in the Use of Credit Cards and Pay-Later Systems - 2025 (Journal Indonesian Impressions) This study reviews various factors that influence consumers to use credit cards and pay-later systems over cash payments. It shows that impulsive buying, flexibility, and marketing to young consumers are significant factors for credit adoption.

Data Analysis and Interpretation

Table No. 1 Age - based Analysis:

Particulars	No. of Respondents	Percentage
Below 18	7	7%
18-25	55	55%
26-40	24	24%
40-60	9	9%
60 & Above	5	5%
Total:	**100**	**100%**

Source: Primary Data

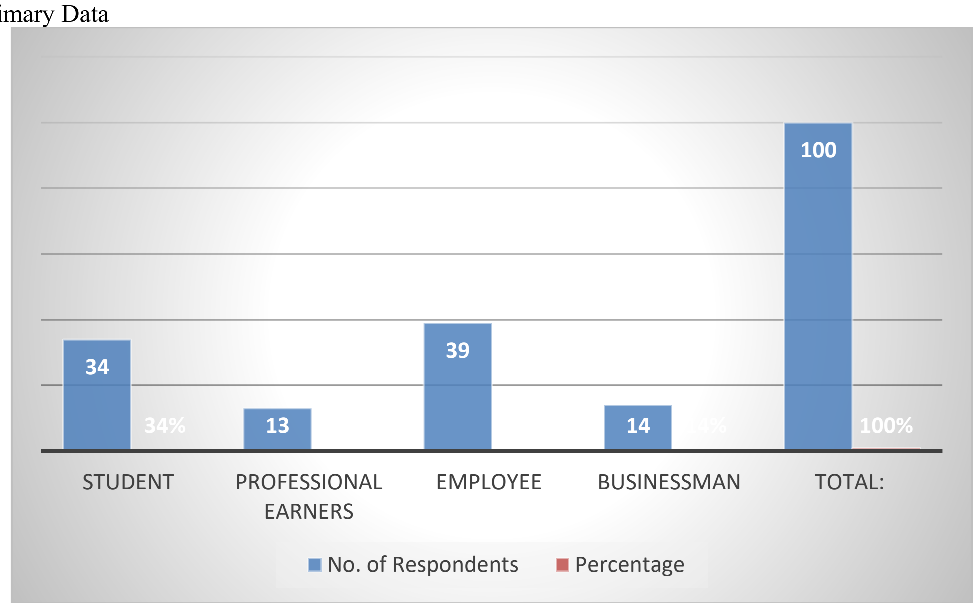


Interpretation:
Most of the respondents (55%) are aged between 18-25 years, which means that the majority of the participants are young people. This implies that the research mostly reflects the attitude and action of younger people, perhaps students or young career workers. There is a low level of representation of older age groups with only a small number (14%) of respondents being 40 years and above.

Table No. 2 Occupation based Analysis:

Particulars	No. of Respondents	Percentage
Student	34	34%
Professional Earners	13	13%
Employee	39	39%
Businessman	14	14%
Total:	**100**	**100%**

Source: Primary Data



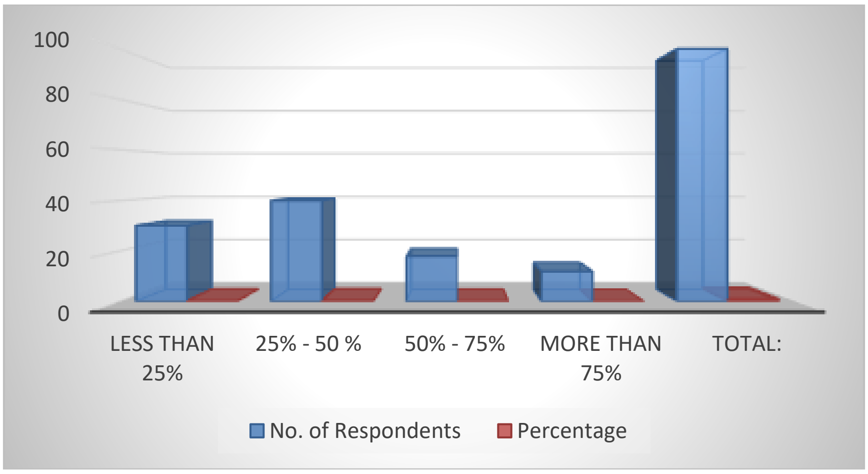
Interpretation:

Majority of the respondents (39%) are workers and the students (34%) meaning that the survey only covered representatives of the working population and those getting education. Smaller groups (13% and 14% of the sample, respectively) include professional earners and businessmen. That implies that the findings are mostly an opinion and experience representation of the working and student population.

Table No. 3 What percentage of your monthly expenses do you typically pay in Cash?

Particulars	No. of Respondents	Percentage
Less than 25%	30	30%
25% - 50 %	40	40%
50% - 75%	18	18%
More than 75%	12	12%
Total:	**100**	**100%**

Source: Primary Data

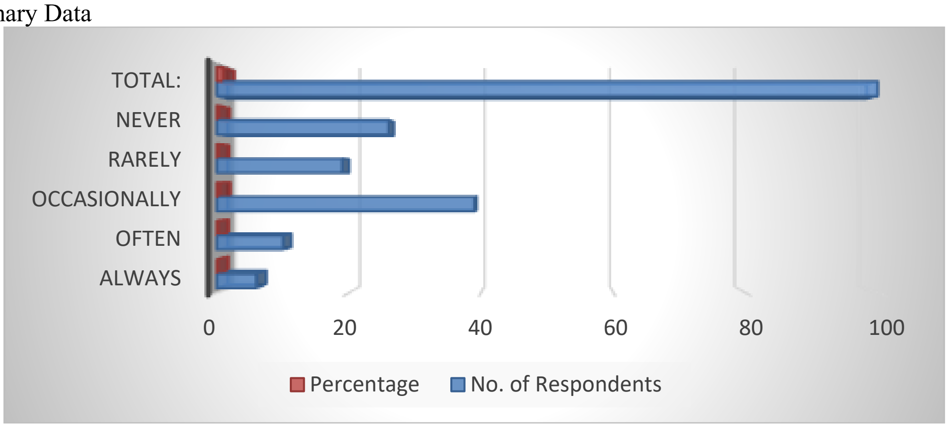


Interpretation:
The largest group (39.4%) of respondents pay less than 25% of their monthly expenses in cash. A significant portion (30.3%) of respondents pay between 25% and 50% of their expenses in cash. About 18.2% of respondents pay between 50% and 75% of their monthly expenses in cash, and the smallest group (12.1%) of respondents pay more than 75% of their monthly expenses in cash.

Table No. 4 How often do you use credit cards for purchases?

Particulars	No. of Respondents	Percentage
Always	6	6%
Often	10	10%
Occasionally	39	39%
Rarely	19	19%
Never	26	26%
Total:	**100**	**100%**

Source: Primary Data

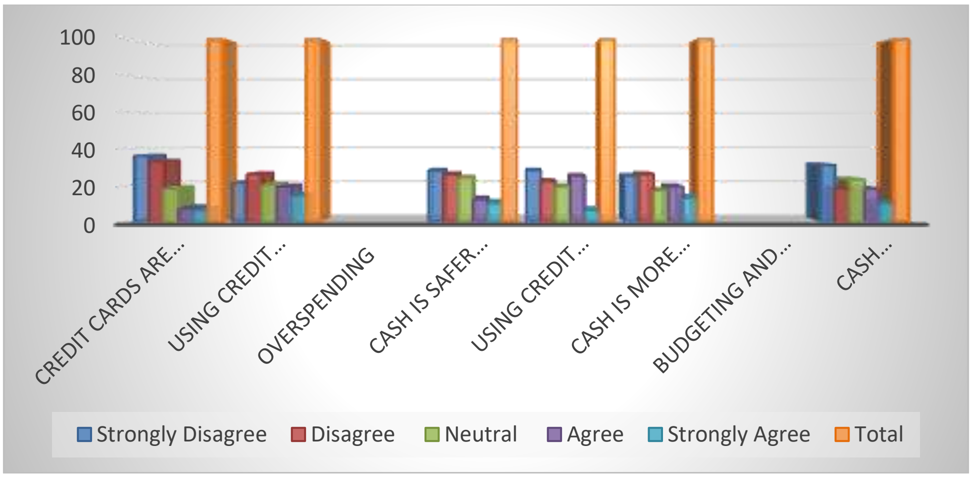


Interpretation:
Most respondents use credit cards occasionally (39%), while 26% say they never use them. 19% use them rarely, 10% use them often, and only 6% use them always. This shows that regular or frequent credit card use is low, with most people using them only sometimes or not at all.

Table No. 5: Indicate your level of Agreement with the following statements using the scale below (1 to 6):

Statement	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree	Total
Credit cards are more convenient than cash for daily expenses	36	33	18	7	6	**100**
Using credit cards leads to overspending	21	26	20	19	14	**100**
Cash is safer than credit cards for transactions	28	26	24	12	10	**100**
Using credit cards helps build a good credit score	28	22	19	25	6	**100**
Cash is more effective for budgeting and tracking expenses	25	26	17	19	13	**100**
Cash transactions are more private than credit card transactions	31	18	23	18	10	**100**

Source: Primary Data



Interpretation:
In general, the Respondents do not consider credit cards to be more convenient than cash. It slightly leans toward the opposition of excessive spending caused by credit cards. Many would feel safer with cash. There are varying opinions about credit cards aiding in developing a credit score. Most people do not consider cash to be more effective in budgeting. Most people embrace cash transactions since they are perceived to be more private.

Hypothesis Testing
Hypothesis testing lets you figure out what's really going on in a population by looking at sample data. It helps you see if your assumptions hold up when faced with actual numbers.

A **t-test**, on the other hand, is how you compare two groups to see if the difference between them matters. It's especially handy when you don't have a ton of data, and you don't know the population's standard deviation.

Hypothesis (I)
H0: (Null Hypothesis)
Belief that credit cards lead to overspending has no significant effect on how often individuals use credit cards.
H1: (Alternative Hypothesis)
Belief that credit cards lead to overspending has a significant negative effect on how often individuals use credit cards.

t-Test: Two-Sample Assuming Equal Variances	Table No.	
	5. Indicate your level of 4ment with the following statements using the scale below (1 to 6) : [Using credit cards leads to overspending]	***4. How often do you use credit cards for purchases?***
Mean	2.79	3.49
Variance	1.824141414	1.343333333
Observations	100	100
Pooled Variance	1.583737374	
Hypothesized Mean Difference	0	
df	198	
t Stat	-3.933158602	
P(T<=t) one-tail	0.00005796316364	
t Critical one-tail	1.652585784	
P(T<=t) two-tail	0.0001159263273	
t Critical two-tail	1.972017478	

Interpretation: -
The main aim of this test is to find out whether the difference in the two means of group is significant or not. Statistical Significance: The P-value (0.000115926) is very small, and far in the lower part compared to the usual significance level of 0.05. This shows that there is a high level of evidence to disasters against the null hypothesis (that the means are equal). Conclusion: The differences between the means between the two groups are statistically

significant. The mean of the second group (3.49) is very large compared to the mean of the first group (2.79). Hypothesized Difference: The test was conducted with a mean difference of 0 being the one that is hypothesized, but the test results clearly refute it.

ANOVA (Analysis of Variance): ANOVA is a statistical test that allows the measurement of the difference between the means of three or more groups with the help of comparing them and seeing whether the difference between them is significant or not. ANOVA enables us to test everyone and only one test is done instead of making several t-tests.

Hypothesis (II)

H0: Age has no significant relationship with the percentage of expenses paid in cash.

H1: Age has a significant relationship with the percentage of expenses paid in cash.

Anova: Single Factor						
SUMMARY						
Groups	*Count*	*Sum*	*Average*	*Variance*		
1. AGE	100	250	2.5	0.8787878788		
3. What percentage of your monthly expenses do you typically pay in Cash?	100	212	2.12	0.9551515152		
ANOVA						
Source of Variation	*SS*	*df*	*MS*	*F*	*P-value*	*F crit*
Between Groups	7.22	1	7.22	7.87376074	0.005516500996	3.888852933
Within Groups	181.56	198	0.916969697			
Total	188.78	199				

Interpretation: -

The P-value of 0.005517 is below the standard significance level of 0.05 (0.05). This implies that there is a possibility that the observed difference between the group means could not have been as a result of random chance. Instead, the computed F-statistic (7.873761) exceeds the critical F-value (3.888853) and, thus, to the same conclusion, it can be made that the null hypothesis (the means of the groups are equal) is rejected. Thus, it is possible to conclude that the average values of two groups are statistically different.

Recommendations

1. Promote financial literacy on credit cards vs cash.
2. Encourage mindful, secure payment choices.
3. Develop user-focused financial products.
4. Highlight cash for privacy.
5. Address credit card concerns and benefits.
6. Improve digital payment experience.
7. Offer rewards to boost usage.
8. Run targeted financial education programs.
9. Ensure easy access to cash.
10. Strengthen regulations for security and innovation.

Conclusion

This paper makes a comparison on the credit card and cash usage where it is evident that the credit card is convenient. However, many individuals still use cash as they have fears of safety and privacy. It points out the fact that payment preferences are complicated and depend on such aspects as trust, flexibility, and personal habits. The results also highlight the need to provide a variety of payment methods to suit the user's needs. These insights can help financial institutions, businesses and policymakers to enhance their payment systems, develop financial literacy and develop simple and secure solutions. The paper also emphasizes the fact that confidence and safety are what people need to motivate them to use any payment system. The constant innovation and education is needed to assist people in making sound financial choices. In general, the study demands a dynamic, impartial, and receptive remuneration economy that aids in individual well-being and financial increase.

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Conflicts of interest
The authors declare that there are no conflicts of interest regarding the publication of this paper

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