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Effect of Cashback and Rewards Programs on Consumer Financial Behaviour

Akash Jaiswal, Lecturer, Jaycees Senior Secondary School, Chatarkhar, Mungeli, C.G.

Abstract: The increasing use of digital payment systems and online shopping platforms has led to the widespread adoption of cashback and reward programs as key marketing tools. These programs are designed to attract consumers by offering financial incentives, which in turn influence their spending and financial behaviour. This study aims to examine the impact of cashback awareness and spending behaviour on the financial behaviour of consumers.

Data for the study was collected from 142 respondents using a structured questionnaire based on a Likert scale. Statistical techniques such as reliability analysis and regression analysis were applied to examine the relationship between the variables. The reliability test indicated acceptable internal consistency, confirming the suitability of the data for further analysis.

The results of the study reveal that spending behaviour has a significant positive impact on financial behaviour, whereas cashback awareness does not show a statistically significant influence. The findings suggest that while consumers are aware of reward programs, their financial behaviour is more strongly influenced by their actual spending patterns. The study provides useful insights for marketers and consumers in understanding the real impact of cashback-based incentives.

Keywords: Cashback Awareness, Spending Behaviour, Financial Behaviour, Reward Programs, Consumer Behaviour, Digital Payments.

Introduction

The rapid expansion of digital commerce has fundamentally transformed the way consumers manage, spend, and interact with their financial resources. With the growing dependence on online shopping platforms and digital payment systems, financial transactions have become more convenient and accessible. In this digital ecosystem, cashback and reward programs have emerged as a key marketing strategy, influencing how consumers make purchasing decisions. As a result, these incentives play an important role in shaping consumer financial behaviour, particularly in environments where competition is intense and promotional offers are widely available.

One of the most prominent behavioural patterns observed in digital transactions is the tendency of consumers to be attracted towards cashback and reward-based offers. These incentives create a perception of saving money, which often encourages consumers to make purchases. However, this behaviour may also lead to unplanned or impulsive spending. Consumers are more likely to choose platforms or payment methods that offer rewards, sometimes ignoring whether the purchase is actually necessary. This highlights the

growing influence of promotional incentives on financial decision-making.

In the context of online shopping and digital payments, cashback programs have significant implications. Platforms such as digital wallets, credit cards, and e-commerce websites frequently offer cashback and reward schemes to attract users. These offers influence consumer spending behaviour, as individuals tend to associate rewards with financial benefits. This perceived advantage often increases purchase frequency and affects budgeting decisions, thereby influencing overall financial behaviour.

The concept of cashback influence is also closely related to theories of consumer behaviour and decision-making. In a digital environment where consumers are exposed to multiple offers and options, they often rely on simple decision-making strategies. One such approach is focusing on immediate benefits like cashback, rather than evaluating long-term financial consequences. This behaviour aligns with the idea that individuals may prioritize short-term gains over long-term financial stability, especially when influenced by attractive promotional offers.

Furthermore, the impact of cashback and reward programs extends beyond individual behaviour to broader market dynamics. Businesses actively use these incentives as a competitive tool to increase customer engagement and sales. As a result, consumers are constantly exposed to promotional offers, which can influence their spending patterns. While these strategies benefit businesses, they may also lead to increased consumer spending, raising concerns about financial discipline.

Despite the increasing use of cashback and reward programs, there is a need for empirical research to understand their actual impact on financial behaviour. While these incentives are often seen as

beneficial, their effect on budgeting, saving, and financial control is not fully clear. Understanding this relationship is important for both consumers and marketers, as it helps in making better financial and strategic decisions.

Therefore, this study aims to examine the impact of Cashback Awareness and Spending Behaviour on Financial Behaviour. By analyzing consumer responses and applying statistical techniques, the research seeks to determine whether reward-based incentives support financial discipline or encourage excessive spending. The findings are expected to provide valuable insights into consumer financial decision-making and contribute to the understanding of modern digital consumption behaviour.

Literature Review

The increasing use of digital payment systems and online shopping platforms has significantly transformed consumer spending behaviour, particularly in the context of cashback and reward-based incentives. Digital platforms now act as the primary interface through which consumers make financial transactions, making promotional strategies such as cashback and rewards an important factor influencing consumer decisions. Several studies have examined how these incentives affect consumer behaviour, leading to increased interest in understanding their impact on financial outcomes.

One of the foundational perspectives in this area is based on the concept of mental accounting, as discussed by Thaler (1999), which suggests that consumers tend to treat cashback and rewards as gains rather than reductions in spending. This perception encourages individuals to spend more freely, as they believe they are saving money. Such behaviour highlights the psychological impact of cashback offers on consumer decision-making.

Similarly, Gupta and Kim (2010) found that online shoppers are strongly influenced by perceived value and promotional benefits. Their study indicated that cashback and reward programs increase purchase intentions by creating a sense of financial advantage. However, this perceived benefit does not always translate into actual savings, as consumers may increase their spending to avail these offers.

Further supporting this view, Verma and Sinha (2018) observed that cashback offers significantly influence consumer preferences and platform selection. Their findings suggest that consumers tend to choose platforms that provide additional incentives, even if alternative options may be more economical. This behaviour reflects the growing importance of promotional strategies in shaping consumer choices.

In the context of spending behaviour, research by Chatterjee and Sinha (2017) highlighted that digital payment systems combined with reward incentives lead to increased transaction frequency. The ease of digital payments, along with cashback offers, reduces the psychological barrier of spending, encouraging consumers to make more frequent purchases.

Moreover, studies on consumer behaviour by Solomon (2018) suggest that individuals often rely on heuristics or simple decision-making rules when faced with multiple choices. In such situations, cashback and reward offers act as a key influencing factor, guiding consumer decisions without thorough evaluation of actual need or long-term financial impact. This behaviour aligns with the concept of bounded rationality, where consumers make satisfactory rather than optimal decisions.

The role of financial behaviour has also been widely examined in previous

research. Schiffman and Wisenblit (2015) emphasized that disciplined financial behaviour requires careful planning and control over spending. However, continuous exposure to promotional offers may disrupt this discipline, leading to impulsive buying and reduced savings.

Additionally, Kumar and Reinartz (2016) discussed how companies use reward-based strategies as a tool to enhance customer engagement and loyalty. While these strategies are effective in increasing sales, they may also encourage excessive consumption, particularly among price-sensitive consumers.

Recent studies have also focused on the awareness aspect of cashback programs. It has been observed that consumers who are well-informed about reward systems tend to use them more strategically, whereas less aware individuals may either ignore these benefits or misuse them. This indicates that awareness plays a role in shaping how consumers respond to such incentives.

Overall, the existing literature highlights that cashback and reward programs have a significant influence on consumer spending behaviour, but their impact on financial behaviour remains complex. While these incentives provide short-term benefits, they may also lead to increased spending and reduced financial discipline. Therefore, there is a need for empirical research to examine how cashback awareness and spending behaviour together influence financial behaviour in the context of digital transactions.

Objectives and Research Methodology

The present study is analytical in nature and focuses on examining how cashback awareness and spending behaviour influence financial behaviour in the context of digital transactions.

The main objective of the study is to analyze the impact of cashback awareness

and spending behaviour on financial behaviour.

To examine this relationship, the following hypotheses are developed:

H0: Cashback awareness and spending behaviour have no significant impact on financial behaviour.

H1: Cashback awareness and spending behaviour have a significant impact on financial behaviour.

The data for the study was collected through primary sources using a structured questionnaire. A total of 142 responses were collected using a convenience sampling method.

The questionnaire consisted of statements related to cashback awareness, spending behaviour, and financial behaviour, measured using a Likert scale.

Before analysis, reliability was tested using Cronbach's Alpha, which confirmed that the data is consistent and suitable for further analysis.

Statistical techniques such as reliability analysis, regression analysis, and scatter plots were used. The analysis was carried out using SPSS software.

Data Analysis & Interpretation

To analyse the relationship between Cashback Awareness (CA), Spending Behaviour (SB), and Financial Behaviour (FB), responses were collected using a structured questionnaire based on a Likert scaleranking from strongly disagree to strongly agree. The details of the statements are presented in the table below.

Factor	Statements
Cashback Awareness (CA)	<ol style="list-style-type: none"> 1. I am aware of cashback and reward programs. 2. I frequently use cashback and reward offers. 3. I use cashback/rewards on multiple platforms (cards, wallets, apps). 4. Cashback offers encourage me to spend more than planned.
Spending Behaviour (SB)	<ol style="list-style-type: none"> 1. I prefer shopping from platforms that offer rewards. 2. I make purchases mainly to earn cashback/rewards. 3. Rewards programs influence my choice of payment method. 4. I compare offers across platforms before making purchases. 5. Cashback/rewards help me save money.
Financial Behaviour (FB)	<ol style="list-style-type: none"> 1. I tend to overspend due to attractive reward offers. 2. I track my spending more carefully due to rewards programs. 3. I feel financially disciplined while using such programs. 4. Rewards programs influence my budgeting decisions.

Table 1: Statements Measuring Cashback Awareness (CA), Spending Behaviour (SB) and Financial Behaviour (FB).

The analysis begins by ensuring the quality of the collected data, where all 142 responses were found to be valid and complete, indicating their suitability for

further analysis. The reliability of the measurement scale, consisting of 13 items (CA1–CA4, SB1–SB5, and

FB1–FB4), was then assessed to examine the internal consistency of the variables.

Cronbach's Alpha	N of items
.781	13
Note: CA1–CA4, SB1–SB5, and FB1–FB4 items included (N of items = 13)	

Table 2:Reliability Statistics

The Cronbach's Alpha value of 0.781 indicates acceptable internal consistency, as it is above the recommended threshold

of 0.70. This confirms that the items used in the questionnaire are reliable and suitable for further analysis.

Model		B	Std.Error	Beta	t	Sig.	Tolerance	VIF
1	(Constant)	6.466	1.325		4.881	<.000		
	CA	-.115	.085	-.128	-1.348	.180	.667	1.500
	SB	.449	.090	.473	5.002	<.000	.667	1.500
Dependent Variable: FB Tolerance = .667; VIF = 1.500 – No Multicollinearity								

Table 3:Beta Coefficients

To examine the impact of Cashback Awareness (CA) and Spending Behaviour (SB) on Financial Behaviour (FB), a multiple regression analysis was conducted. The independent variables, CA and SB, were entered into the model using the enter method, with no variables removed, ensuring a direct assessment of their combined effect on the dependent variable.

The significance of the model was confirmed through ANOVA results, which indicate that the regression model is statistically significant ($F = 14.288$, $p < 0.001$). Since the p-value is less than 0.05, the null hypothesis is rejected and the alternative hypothesis is accepted, confirming that the independent variables collectively have a significant impact on Financial Behaviour.

The coefficient analysis further reveals that Spending Behaviour has a strong positive impact on Financial Behaviour, whereas Cashback Awareness does not show a significant effect. The unstandardized coefficient for Spending

Behaviour ($B = 0.449$, $SE = 0.090$) indicates that for every one-unit increase in Spending Behaviour, Financial Behaviour increases by 0.449 units. The standardized beta value ($\beta = 0.473$) and significant t-value ($t = 5.002$, $p < 0.001$) further confirm the strength of this relationship. On the other hand, Cashback Awareness shows a negative but insignificant effect ($B = -0.115$, $p = 0.180$), indicating that it does not significantly influence Financial Behaviour.

In addition, the collinearity statistics show that both variables have acceptable values (Tolerance = 0.667, VIF = 1.500), indicating that there is no issue of multicollinearity in the model. This confirms that the independent variables are not highly correlated with each other and the regression results are reliable.

Overall, the results clearly establish that Spending Behaviour is a significant predictor of Financial Behaviour, while Cashback Awareness does not have a meaningful impact. This highlights that

consumer financial outcomes are more strongly influenced by actual spending habits rather than mere awareness of reward programs.

	Minimum	Maximum	Mean	Std. Deviation	N
Predicted Value	9.9282	15.1883	12.6511	1.15316	142
Std. Predicted Value	-2.361	2.197	-.001	.999	142
Standard Error of Predicted Value	.217	.666	.361	.097	142
Adjusted Predicted Value	9.9788	15.3325	12.6563	1.15165	142
Residual	-6.39033	5.94440	.05315	2.53000	142
Std. Residual	-2.493	2.319	.021	.987	142
Stud. Residual	-2.517	2.335	.020	1.000	142
Deleted Residual	-6.51262	6.02525	.04788	2.59456	142
Stud. Deleted Residual	-2.567	2.373	.018	1.006	142
Mahal. Distance	.018	8.528	1.998	1.714	142
Cook's Distance	.000	.059	.008	.012	142
Centered Leverage Value	.000	.060	.014	.012	142
a. Dependent Variable: FB					

Table 1.4: Residuals Statistics

Following the regression analysis, residual statistics were examined to evaluate the adequacy and stability of the model. The predicted values of Financial Behaviour (FB) range from 9.928 to 15.188, with a mean value of 12.651, indicating that the estimated values are reasonably aligned with the observed outcomes.

The residual values are centered around zero, and the standardized residuals lie within the acceptable range of ± 3 , suggesting the absence of significant outliers in the dataset. This indicates that the model does not suffer from abnormal deviations in prediction and maintains consistency in estimation.

Further, the value of Cook's Distance (maximum = 0.059) remains well below the critical limit of 1, confirming that no

single observation exerts undue influence on the regression results. Similarly, the Mahalanobis Distance and leverage values are within acceptable limits, indicating that there are no influential or high-leverage data points affecting the model.

Taken together, these results demonstrate that the residuals are normally distributed and free from major anomalies, thereby confirming that the regression model is stable, reliable, and provides a good fit to the data.

To verify the assumptions of normality and homoscedasticity, the Normal P-P Plot of standardized residuals and the scatterplot of standardized residuals were examined. The Normal P-P Plot shows that the plotted points closely follow the diagonal reference line, indicating that the

residuals are approximately normally distributed and the assumption of normality is satisfied.

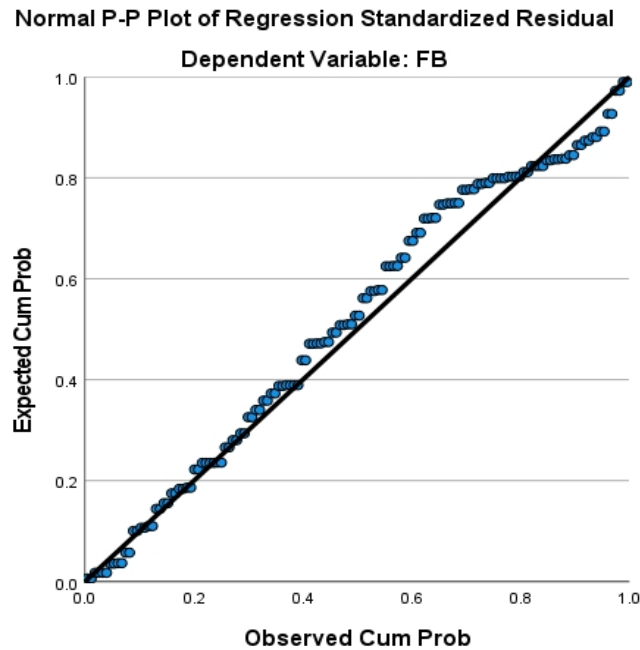


Fig. 1.1:Normal P–P Plot

Further, Fig. 1.2 illustrates the scatterplot of standardized residuals for Financial Behaviour (FB), which shows a random and symmetrical distribution around the horizontal axis, with no visible pattern or funnel shape. This indicates that the variance of residuals remains constant across all levels of predicted values, thereby confirming the assumption of homoscedasticity.

Overall, the diagnostic plots support the validity and adequacy of the regression model, indicating that the model is appropriate for explaining the relationship between Cashback Awareness, Spending Behaviour, and Financial Behaviour.

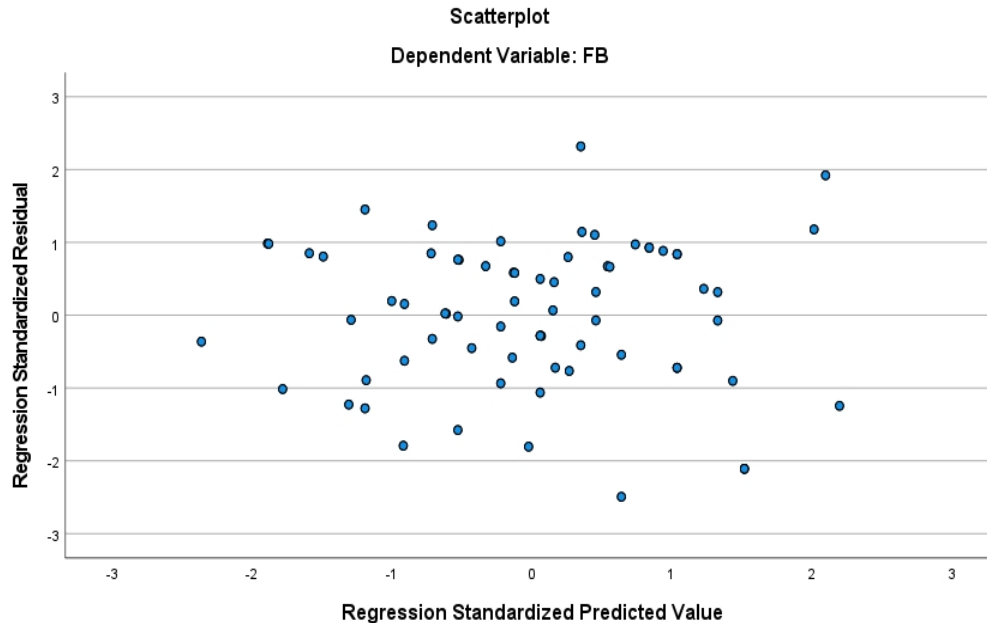


Fig. 1.2:Scatterplot of Standardised Residuals vs. Standardised Predicted Values (Dependent Variable: FB)

Model Summary										
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics					Durbin-Watson
					R Square Change	F Change	df1	df2	Sig. F Change	
1	.413 ^a	.171	.159	2.56326	.171	14.288	2	139	.000	1.655
a. Predictors: (Constant), SB, CA										
b. Dependent Variable: FB										

Table 1.5:Model Summary

The model summary indicates a moderate relationship between Cashback Awareness (CA), Spending Behaviour (SB), and Financial Behaviour (FB), with a correlation coefficient of $R = 0.413$. The coefficient of determination ($R^2 = 0.171$) shows that 17.1% of the variation in Financial Behaviour is explained by the independent variables, indicating a moderate explanatory power of the model.

The Adjusted R^2 value (0.159) further confirms the stability of the model, while the Durbin–Watson value (1.655) suggests that there is no issue of autocorrelation in the data. Overall, the model demonstrates a satisfactory fit and supports the relationship between the variables.

Conclusion

From the overall analysis, it can be concluded that cashback and reward programs influence consumer behaviour, but their impact varies across different aspects. The findings of the study show that Spending Behaviour has a significant positive effect on Financial Behaviour, whereas Cashback Awareness does not have a statistically significant impact.

This indicates that consumers may be aware of cashback and reward offers, but this awareness alone does not necessarily lead to better financial discipline. Instead, it is the actual spending habits of individuals that determine their financial

outcomes. Consumers who are influenced by reward-based offers may tend to spend more, which can affect their financial control and budgeting practices.

The results highlight that cashback and reward programs act more as a tool to encourage spending rather than improving financial management. While these programs provide short-term benefits, they do not guarantee long-term financial stability.

Therefore, it is important for consumers to use such offers carefully and make informed financial decisions. Future studies can further explore additional factors such as financial literacy, income levels, and psychological influences to gain a deeper understanding of consumer financial behaviour.

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