

A STUDY ON CUSTOMER ATTITUDE TOWARDS VARIOUS MODES OF PAYMENT IN ONLINE SHOPPING

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Abstract

E-commerce transactions are increasing day after day. Payment being one of the most important factor that influences e-commerce, it was necessary to understand the factors that influence the choice of mode of payment. The e-commerce sector has fierce competition from domestic and international players. This research paper is focused on identifying the factors that influence choice of e-payment options. The responses were collected from e-commerce users across Kerala were respondents for this study. Using statistical software, it is found that three factors influence the choice of mode of payment they are time and other benefits, sufficiency and safety, and availability and offers. Previous studies have proven to support the factors identified in this research. Debit Card and Cash on Delivery are the most popular payment options and Amazon is the most preferred online shopping website. Chi-square was done to check the association between family income had influence on choice of payment option.

Keywords: Factor Analysis, E-Commerce, Payment Options, Chi Square Test, Online shopping.

INTRODUCTION

In today's world with the rise of internet and communication technology online shopping is also getting widely accepted and is slowly turning out to be most preferred and normal shopping behavior of people. In a country like India the scope of e-commerce has to be on par with highest in the world and with successful and wide internet penetration soon online shopping will become the new normal shopping mode of the consumers. The growth of e-commerce in 2020 was between seven to eight percentage according to various reports with China having the highest growth rate.

Along with other advantages of online shopping different modes of payment appeals to a higher section of the customers. Credit Card, Debit Card, Prepaid Card, E-wallet, Cash on Delivery, UPI, Net Banking are the most common modes of online payment. Customers prefer a payment method according to their needs and the choice of mode of payment is influenced by other concerning factors. Enabling different payment methods makes a better customer experience and if one of the options failed customers would not feel stuck. It gives the customer the freedom to explore other options and get the best deal. Multiple payment methods provide a more seamless experience and increase online purchase orders. In 2020, the transaction volume share in India stood at 15.6 per cent and 22.9 per cent for instant payments and other electronic payments respectively, while paper-based payments had a considerable share of 61.4 per cent. [1]

A digital revolution is taking place in India, for cashless transactions to take place smoothly along with internet and e-literacy demands there is also a need of variety of options of payment.

These options are introduced not only as an alternative but as better option for transactions. Electronic transactions ensure smooth transition from cash economy to cashless economy. However, safety concerns were on the rise during the initial period of transition which was later addressed and helped to instill confidence among the customers, for example multi-factor authentication, One Time Password, UPI PIN etc.

As per the YouGov's survey, close to two-thirds of urban Indian women (67%) use digital modes of payment on a general basis. Almost as many use cash (64%), but slightly lesser make payments through cards (54%). In comparison to these mediums, less than a third (30%) use internet banking for transactional purposes. [2]

According to certain report in 2020, the third fiscal quarter, COD has been dominating majority of the online purchase system. During the pandemic, the number of COD was reduced drastically.[3]

Transparency is another merit in online payments, whichever be the mode of payment opted by the customer there is clear transparency with regards to all aspects of that particular transactions which in turn can help in the national economy this has been one of the biggest arguments put forward governing agencies and banks to encourage electronic transactions. Even though users of online payment increase day by day there are lot of areas in this regard that needs to be quickly addressed to ensure that the transition to cashless economy takes place smoothly they are, e-literacy among rural and backward people, poor internet and technological infrastructure in rural areas, increased technical glitches these are the most common issues faced by people in online transactions. Mode of payment is influenced by several promotional factors like cashback, discount, redeemable points, etc these are done by banks, vendors, e-wallet providers and even websites for their respective promotion. Other than that, the amount, availability of cash in hand, easiness, reliability etc all influence mode of payment chosen.

Statement of The Problem: For an E-commerce website it is very important to know the factors that influence choice of mode of payment and the areas that require improvement in online payment.

Objectives of Study: To find out the factors influencing choice of mode of payment.

Hypothesis Of Study:

H0: There is no influence of family income on the choice of cash on delivery.

LITERATURE REVIEW

According to Syed Far Abid Hossain, Zhao Xi, Mohammad Nurunnabi, Khalid Hussain 2020, e-literacy among people will influence the mode of payment a consumer opts[4]. More the people are well versed with technology more the people opt for digital mode of payment. Emphasis is also given on the security aspects of the payment which requires further attention. Aspects like mobile app compatibility, trust, perceived value of mobile phone apps for online shopping, and online payment are examined from the point of view of consumers who purchase products, save purchase time, and provide easy use and security through social networking sites and e-commerce.

S Fatonah et al (2018), emphasized on the transition from cash transactions to electronic based transactions as a result of Information and Communication technology and innovations in digital sphere-payments were introduced not only as substitute but as a better alternative option to cash.[5]

Mohammad Auwal Kabir et al (2015), states that the rising popularity E-payment systems is a result of its efficiency, convenience and timeliness. Nations adopt this modern payment system with open arms is because of its simplicity and easiness in conducting financial transactions.[6]

Shailza et al (2019), focused on the importance of digitization of economy to keep up the pace of fast-growing cashless economy. India is also trying for transition from cash economy to cashless economy like other developed nations and developing nations. Consumers prefer various modes of E-payment like card, digital wallets, net banking and other mobile applications.[7]

Neil Luis Pinto (2013), stated that trust plays an important role in e-commerce transactions. Even though internet penetration in India has been on the higher side fear of fraud has put off many people in doing online and other electronic transactions. It has been found that 67 per cent of the existing online customers of Internet stores are unlikely to trust a transaction online through a new website. However, with the introduction of multifactor identification during online transactions has increased the trust of people to engage in online transactions. Payment options like cash on delivery has also increased popularity among people as it does not need any revealing of confidential and sensitive information.[8]

Shamsher Singh (2017), explained about how growth in internet lead to the growth of online payments and transactions. He also said that India is on its way to a major digital revolution. Future economy is going to be cashless one for which digitalization of payment mechanism at different location such as smart phone, internet banking, card transaction etc are required.[9]

Suma Vally et al (2018) found that demonetization has resulted in exponential growth of digital payments. With government initiatives like Digital India, it accelerated. Electronic transactions also increase transparency in transactions which helps the nation's economy and BHIM apps helped in smooth transition to online payments and transactions.[10]

RESEARCH METHODOLOGY

Research Design: This research made use of a Descriptive research design to conduct the research.

Sampling Method: In this research convenient sampling method is used to collect information using questionnaires.

Population: Population consists E-commerce website users in Kerala.

Sample: The sample consists of E-commerce website users in Kerala.

Sampling Size: The sample size selected for this research is 130.

RESULTS AND DISCUSSION

As part of the research, data was collected using questionnaire. The Questionnaire was used as the primary source to collect the data from the sample population of respondents who were e-commerce users. Secondary data are that information which are already published, for this

study journals, articles, websites have been used. Data analysis was done using SPSS software. The techniques used for this analysis are Factor analysis and Chi-square tests. The following demographics were found related to the research done.

Table 1: Demographic Details of Respondents

Demographic characteristic	Percentage of Respondents (%)
Age Group	
18 -30	42.3
31- 40	22.3
41 – 50	23.8
51 and above	11.5
Gender	
Male	47.7
Female	52.3
Level of Education	
SSLC/10th	11
Plus Two	17.8
Graduate	46.2
Post Graduate	25
Occupation	
Student	29.2
Business	18.5
Salaried	27.7
Homemaker	17.7
Retired	6.9
Monthly Family Income	
Below Rs 20000	17.7
Rs 20001 – Rs 35000	15.4
Rs 35001 – Rs 50000	35.4
Rs 50001 and above	31.5

The majority of the respondents were from the age group between 18 to 30 years. The majority of the respondents were females. The education level of a major chunk of the survey population was graduation and mostly having an income level between Rs. 35001 to Rs. 50000.

Table 2: Most Preferred Online Platform

Most Preferred Online Platform	
Online Portal	Percentage of Respondents (%)
Amazon	47.7
Flipkart	22.3
Ebay	6.5
Shopclues	8.5
Snapdeal	6.5
Paytm Mall	8.5

Amazon was found to be the popular platform among the respondents. The second place goes to Flipkart while the rest of the responses were distributed among other online platforms.

Preferred Mode Of Online Payment

How often do you prefer the following mode of payment in Online shopping?

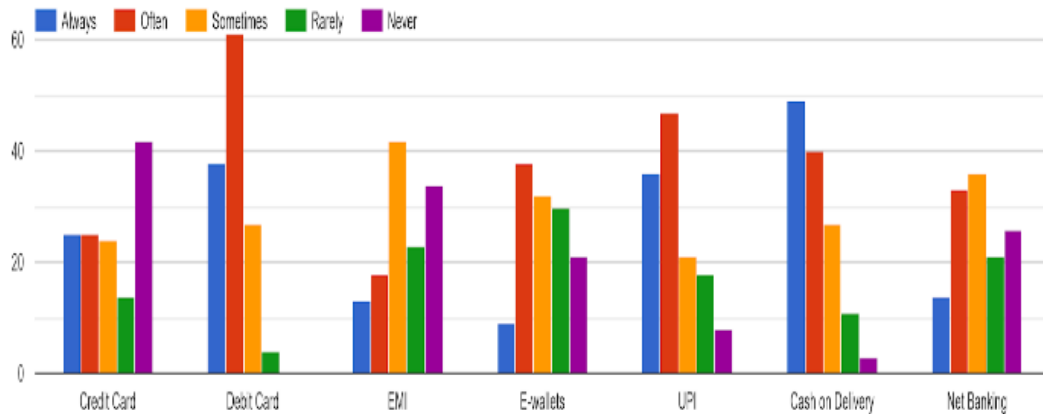


Fig 1: Most Preferred Mode of Payment

Cash on Delivery is the most preferred along with debit card, debit card has been used by every respondent at least once. Least preferred option is credit card followed by EMI and Net Banking.

Convenient Mode of Payment

How convenient do you think the following modes of payment are?

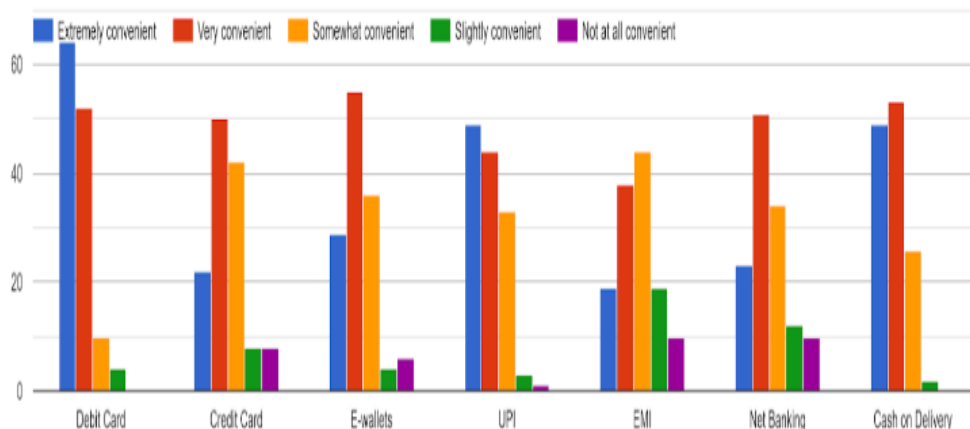


Fig 2: Convenient Mode of Payment

Debit card is the most convenient mode of payment followed by UPI and Cash on Delivery.

a. Factor Analysis-Choice of Mode of Payment

Table 3: KMO and Bartlett's Test

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.853
Bartlett's Test of Sphericity	Approx. Chi-Square	730.967
	df	66
	Sig.	.000

Table 4: Total Variance Explained

Component	Initial Eigenvalues			Extraction Sums of Squared Loadings			Rotation Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	4.965	41.377	41.377	4.965	41.377	41.377	3.218	26.814	26.814
2	1.990	16.586	57.963	1.990	16.586	57.963	2.943	24.529	51.343
3	1.126	9.384	67.347	1.126	9.384	67.347	1.921	16.005	67.347
4	.928	7.730	75.077						
5	.529	4.405	79.482						
6	.515	4.291	83.772						
7	.469	3.911	87.683						
8	.373	3.107	90.791						
9	.332	2.770	93.561						
10	.279	2.327	95.888						
11	.254	2.118	98.006						
12	.239	1.994	100.000						

Extraction Method: Principal Component Analysis.

Table 5: Rotated Component Matrix^a

	Component		
	1	2	3
How important are the following factors in choice of mode of payment in online shopping? (Redeemable Points)	.873	.040	.066
How important are the following factors in choice of mode of payment in online shopping? (No cost EMI)	.806	.073	-.054
How important are the following factors in choice of mode of payment in online shopping?(Scratch Card)	.801	.117	.191
How important are the following factors in choice of mode of payment in online shopping?(Transaction Time)	.542	.524	.070
How important are the following factors in choice of mode of payment in online shopping?(Discount)	.535	.260	.511
How important are the following factors in choice of mode of payment in online shopping?(Easiness of Payment)	.176	.853	.095

How important are the following factors in choice of mode of payment in online shopping?(Safety)	.136	.837	.015
How important are the following factors in choice of mode of payment in online shopping?(Amount)	-.012	.796	.243
How important are the following factors in choice of mode of payment in online shopping?(Sufficient Bank Balance)	.049	.617	.484
How important are the following factors in choice of mode of payment in online shopping?(Availability of Liquid money)	-.108	.078	.707
How important are the following factors in choice of mode of payment in online shopping? (Cashback)	.568	.082	.662
How important are the following factors in choice of mode of payment in online shopping? (Offers)	.447	.354	.609

Extraction Method: Principal Component Analysis.

Rotation Method: Varimax with Kaiser Normalization.

a. Rotation converged in 5 iterations.

The KMO value is .853 and Bartlett's test is significant. This indicates that factor analysis is permissible with given data. 12 variables have been reduced to 3 factors which account for 67.34% of the variance in the data. The first factor was identified as 'Time and other benefits' which consists of Redeemable Points, No Cost EMI, Scratch Card, Transaction Time and Discount. Second factor was 'Sufficiency and Safety', consists of Easiness of Payment, Safety, Amount and Sufficient Bank Balance. Last factor that was named as 'Availability and Offers' consisted of Availability of Liquid Money, Cashback and Offers.

Previous study done by Gagandeep Singh(2019), was able to shed light on the major factors related to influence of e-payment adoption where the author highlighted security, time saving, ease of transaction, convenience to be reasons for the same. E-wallets were found to be the popular e-payment option according to the researcher.[11]

Studies done by Widayat et al(2020), found factors related to influence of e-payment options and the variables included time efficiency, ease of operations.[12] Mahmoud et al(2015), had done research on perceived trust and payment methods related to online purchase , found four factors that influenced the purchase decision which included reputation, security, familiarity, and ease of use.[13]

Nebojša Vasić et al (2019), investigated the online shopping determinants in customer satisfaction in Serbian market and the team were able to identify six factors which were similar to the research done here. The factors included security, information availability, shipping, quality, pricing and time. [14] Oyelami et al (2020), investigated the e-payment adoption in Nigeria and found a related study that e-payments have increased the purchase decisions among the population. The factors of convenience, security and safety, trust influenced the adoption of e-payments in Nigeria.[15]

b. Chi-Square Tests: Family Income and Choice of Cash On Delivery

Table 6 : Family Income vs Cash on Delivery

How often do you prefer the following mode of payment in Online shopping? [Cash on Delivery]		Always	Never	Often	Rarely	Sometimes	TOTAL
Family Income (Monthly)	<20000	3	3	6	4	7	23
	20001-35000	9	0	7	0	4	20
	35001-50000	23	0	13	3	7	46
	50001 and above	14	0	14	4	9	41
Total		49	3	40	11	27	130

Table 7: Chi-Square Tests

	Value	df	Asymptotic Significance (2-sided)
Pearson Chi-Square	157.558 ^a	20	.003
Likelihood Ratio	36.747	20	.013
N of Valid Cases	130		

a. 20 cells (66.7%) have expected count less than 5.
 The minimum expected count is .01.

H₀: There is no influence of family income on the choice of cash on delivery.
 The significance value is lower than .05. Hence, we reject the null hypothesis.

We can conclude that there is influence of family income (Monthly) on the choice of Cash on Delivery. Previous studies by Oyelami et al (2020), have proven that level of income is a determinant in e-payment adoption. Muthukalyani et al (2020), also found in their research related to UPI and E-wallet payments association with income level to be significant. [15][16]

Sunasundaram (2020), in his research related to digital payment perception among consumers found that the demographics including level of income had a significant impact of e-payment. He also found three set of factors associated with influence towards digital payment method which included the factors of convenience, safety, time saving and ease of use.[17]

CONCLUSION

The study mainly focused on the Customer Attitude towards various modes of payment in online shopping. The study was able to identify the most preferred online shopping website while Debit Card and Cash on Delivery were the most preferred mode of payment. From chi-square tests it is understood there is influence family income on the choice of cash on delivery as a payment option. E-commerce transactions are increasing day by day also people are getting familiar with various modes of online payment. There are still doubts of safety among people therefore to overcome that banks and other parties involved should take efforts to make users feel safe these can be done by educating them and also by introducing offers and other benefits to users they will excited to use different modes of online payment.

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