



A STUDY ON MODE OF PAYMENT IN ONLINE SHOPPING (WITH REFERENCE TO VISAKHAPATNAM CITY)

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Abstract

With the growth of communication technology, there is an increase in internet usage and this has also resulted in the rapid growth of online retailing. Online shopping is also getting widely accepted by the people and it is fastest growing business segment. Online retailing has made it convenient for the consumers to buy products from any part of the world. Online retailers provide different options to consumers for making payment for the products they purchase. This paper analysis the mode of payment adopted by the online shoppers in Visakhapatnam city of Andhra State in India.

Keywords: E-Commerce, Online shopping, Mode of Payment, E-Literacy.

Introduction

Online retail has seen rapid growth owing to the rise in internet usage and the proliferation of communication technology. Online shopping is also getting widely accepted by the people. As a subsequent by product of the proliferation of the Internet all over the world, E-Commerce (Electronic Commerce) is one among the most popular services that emerged. The increase in Smartphone users due to the surge in the popularity of budget friendly devices that could bring world-class online services to the common man also plays an important role in this shift. Online retail is the fastest growing segment, having grown at an average annual rate of 56 percent (PWC India 2015). Online retailing has made it possible and convenient for consumers to buy an enormous variety of products and services from vendors and retailers based anywhere in the world at the comfort of their homes (CA. Raj Garg 2016). Online retailing is appealing to a large number of consumers due to its advantages like convenience, customization, wide range of options and better customer service, global research (Oly Mishra 2017)

E-Commerce allows the purchasing and selling of physical goods via online platforms, which makes the process of payment easy and safe for businessmen and customers. After a consumer selects the product that he/she wants to purchase and also selects the e-tailer from which the product is to be purchased, then the payment procedure is initiated. There are different options provided to consumers by e-tailers for making the payment process safe and secure. Enabling a varied set of payment methods provides for an enhanced customer experience if there is a failure in one of the options and users have the freedom to explore and utilize other options and get a deal that suits them best. E-literacy among people also influences the mode of payment a consumer opts. (Syed Far Abid Hussain, Zhao Xi, Mohammad Nurunnabi Khalid Hussain (2020). The availability of multiple payment methods provide for a seamless experience and thereby increase the amount of reliability and trust in online purchase orders (Dr. Ranjith Somasundaran Chakkambath and Jibin S.K. 2021).

Objective and Methodology

This objective of this study is to analyze the mode of payment adopted by the online shoppers in Visakhapatnam City of Andhra Pradesh State in India. For the purpose of this study, 500 sample



consumers who shop online were taken at random from all parts of the city and were analyzed and inferences are drawn.

Results and Discussion

The below tables present the frequency of using various modes of payment by the sample consumers in online shopping.

1) Debit card as mode of payment

Debit cards have become the most popular cashless payments all over the world. It is a small plastic card on which a unique bank account number is inscribed. Debit card is also known as Bank card. The debit card, unlike a Credit card which works on the post payment model, is used to withdraw money from bank account and also to make payments on Internet.

There should be sufficient funds in the bank account for any transaction to take place. Debit cards free customers from carrying cash, cheques and many merchants accept debit cards for purchases. Debit card is one of the most common and reliable modes of payment that is used by the respondents. The following table presents respondents' frequency of using debit card as a system of payment.

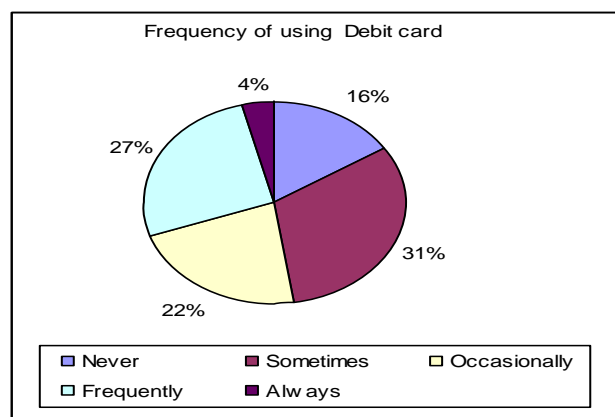
Table-1, Frequency of using Debit card as a mode of payment

Frequency of using Debit card	Number of Respondents	Percentage
Never	81	16.20
Sometimes	156	31.20
Occasionally	110	22.00
Frequently	133	26.60
Always	20	4.00
Total	500	100.0

Source: Compiled from collected data

Among the 500 respondents, about 16 percent 'never' use debit card as a mode of payment in online shopping, 31 percent 'sometimes' use, about 22 percent 'occasionally' use, about 26 percent 'frequently' use and only 4 percent 'always' use debit card as a mode of payment. Thus, a very small percentage of respondents 'always' use debit card as a mode of payment.

Chart-1





2) Credit card as mode of payment

Payment using the credit card is one of the most popular modes of electronic digital payments. It is a card issued by a bank that allows a person to purchase goods on credit. When a customer buys a product via a credit card, the bank that issues the credit card pays on behalf of the customer and one has a certain time period after which one can pay the credit card bill. Table-2 presents respondents' frequency of using credit card as a mode of payment.

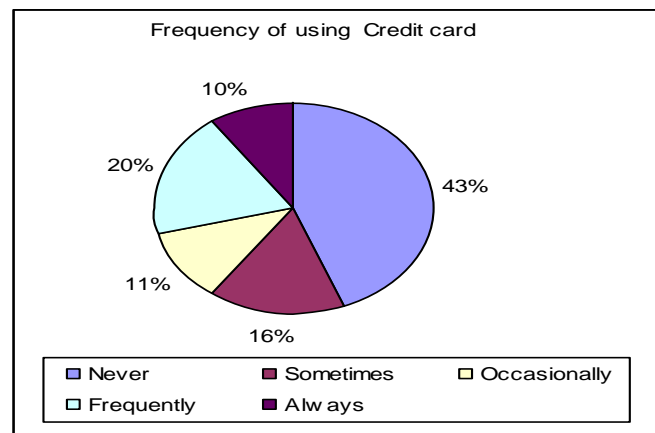
Table-2, Frequency of using Credit card as a mode of payment

Frequency of using Credit card	Number of Respondents	Percentage
Never	220	44.00
Sometimes	78	15.60
Occasionally	56	11.20
Frequently	98	19.60
Always	48	9.60
Total	500	100.0

Source: Compiled from collected data

From the above table it can be seen that among the 500 respondents, about 44 percent 'never' use credit card as a mode of payment in online shopping, 16 percent use 'sometimes', 11 percent use 'occasionally', about 20 percent use 'frequently' and only ten percent 'always' use credit card as a mode of payment. Thus, only a meager percentage of respondents 'always' use credit card as a mode of payment.

Chart-2



3) Cash on Delivery as mode of payment

Cash on delivery is one of the most preferred modes of payment used by the online consumers. It combines the ease of ordering and provides a sense of security in the payment stage while receiving the goods. Earlier, many consumers feared disclosing their credit/debit card information over internet which proved to be a hurdle in online shopping. The option of Cash on delivery allows consumers to purchase without giving up their credit/debit card details, and also assures them by allowing the customers to make payments at the time of product delivery. In this way the e-tailers are removing the fear of frauds from the minds of the consumers and are thus encouraging them to shop online and providing their customers with the advantage of payment at the time of receipt of product which is generally found in



physical retail stores. Cash on delivery has become quite popular in online shopping. This was proved by a research study which shows that 60 percent of online consumers in India who possess credit cards, still preferred cash on delivery as a mode of payment (BCG, 2013). Table-3 presents respondents' frequency of using cash on delivery as a mode of payment.

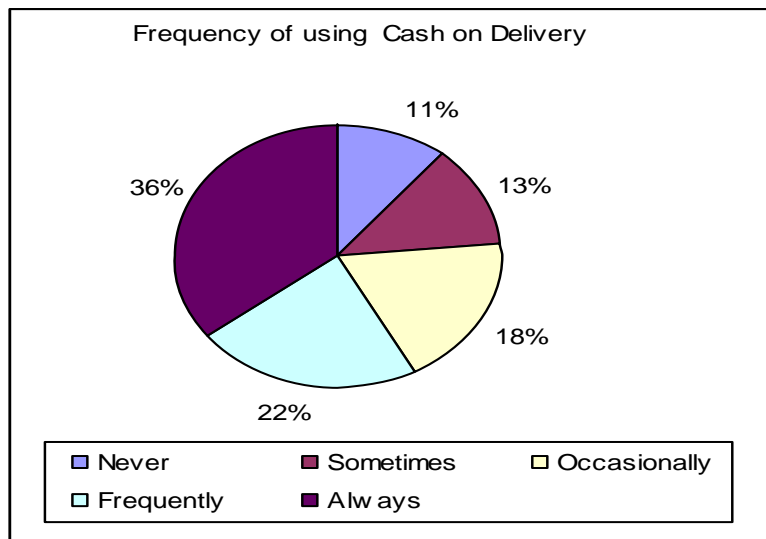
Table-3, Frequency of using Cash on delivery as a mode of payment

Frequency of using Cash on Delivery	Number of Respondents	Percentage
Never	55	11.00
Sometimes	65	13.00
Occasionally	91	18.20
Frequently	111	22.20
Always	178	35.60
Total	500	100.0

Source: Compiled from collected data

Among the 500 respondents, about 11 percent 'never' use cash on delivery as a mode of payment in online shopping, 13 percent 'sometimes' use cash on delivery, 18 percent 'occasionally' use cash on delivery, about 22 percent 'frequently' use and 36 percent 'always' use cash on delivery as a mode of payment. Thus, more than two-fifth of the respondents 'always' prefer cash on delivery as their mode of payment while purchasing goods online.

Chart-3,



4) Net Banking/Online Bank Transfer as mode of payment

This is a payment system in which customers pay the sellers from their bank accounts using the internet. It does not involve the use of physical card. It is popular among customers who have internet banking enabled bank accounts. In this system, one gets to specify which bank they wish to pay from in the payment gateway. The user is redirected to the bank's official website, where one can approve the payment via authentication. Consumers with net banking facility can transfer funds from their bank account to the e-tailer and pay for the product that they want to purchase.



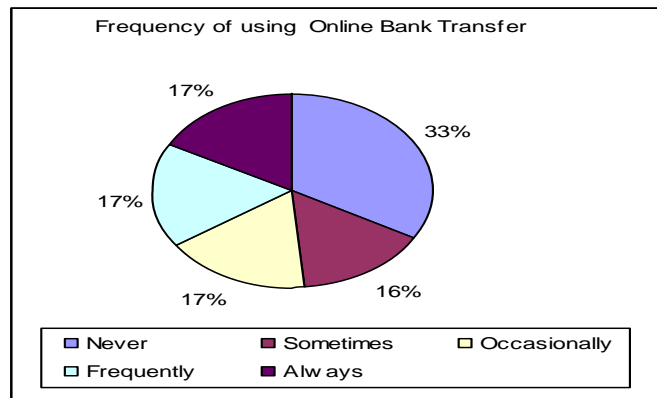
Table-4, Frequency of using Online Bank Transfer as a mode of payment

Frequency of using Online Bank Transfer	Number of Respondents	Percentage
Never	165	33.00
Sometimes	78	15.60
Occasionally	84	16.80
Frequently	87	17.40
Always	86	17.20
Total	500	100.0

Source: Compiled from collected data

Table-4 shows the number and percentage of respondents who use online bank transfer as a mode of payment in online shopping. Among the 500 respondents, about 33 percent ‘never’ use online bank transfer as a mode of payment, 16 percent ‘sometimes’ use online bank transfer, 17 percent ‘occasionally’ use online bank transfer, about 17 percent ‘frequently’ use online bank transfer and about 17 percent ‘always’ use online bank transfer for making payment for online purchases.

Chart-4



5) Gift Card as mode of payment

Gift card is another way of making payment for the products purchased online. It is a pre-paid stored value money card. It is issued by the e-tailer and it can be used as an alternative for cash payment. It is a promotion strategy of the e-tailer to bring back the consumer to the same e-tailer in future. This gives the consumer a psychological feeling of getting a gift as he/she does not have to pay to purchase the product. It is also used for gifting others.

Table-5, Frequency of using Gift Card as a mode of payment

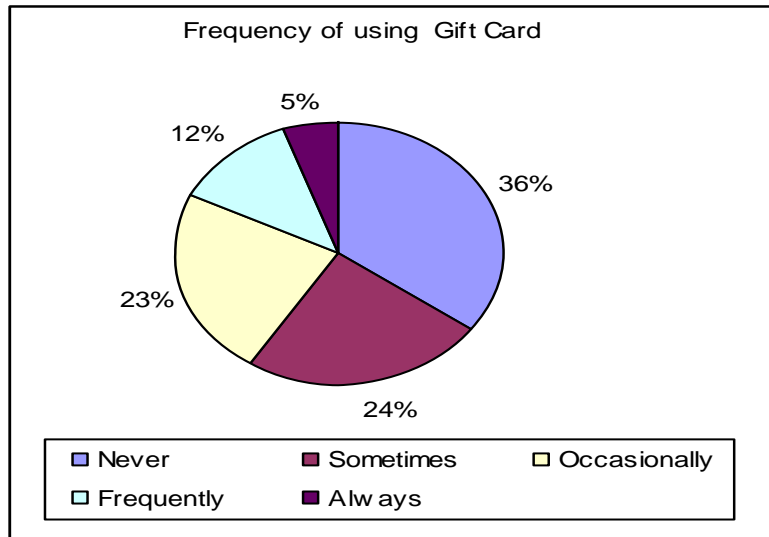
Frequency of using Gift Card	Number of Respondents	Percentage
Never	175	35.00
Sometimes	119	23.80
Occasionally	117	23.40
Frequently	62	12.40
Always	27	5.40
Total	500	100.0

Source: Compiled from collected data



Table -5 shows the frequency of using Gift card as a mode of payment in online shopping. Among the 500 respondents, about 35 percent ‘never’ use gift card, about 24 percent ‘sometimes’ use gift card, about 23 percent ‘occasionally’ use gift card, about 12 percent ‘frequently’ use gift card and about four percent ‘always’ use gift card as a mode of payment. Thus, more than half of the respondents ‘never’ used gift cards while only about five percent ‘always’ use gift card for buying products online.

Chart-5



Findings

More than one-fourth of the respondents ‘sometimes’ use debit card as a mode of payment and about six percent of respondents ‘always’ use debit card as a mode of payment. Thus, a very small percentage of respondents ‘always’ use debit card as a mode of payment.

About 44 percent ‘never’ use credit card as a mode of payment in online shopping, 15 percent ‘sometimes’ use, 14 percent ‘occasionally’ use, about 21 percent ‘frequently’ use and only seven percent ‘always’ use credit card as a mode of payment. Thus, a meager percentage of respondents ‘always’ use credit card as a mode of payment.

More than two-fifth of the respondents ‘always’ prefer cash-on-delivery as their mode of payment while purchasing goods online

About 37 percent ‘never’ use online bank transfer as a mode of payment, 14 percent + ‘sometimes’ use, 15 percent ‘occasionally’ use, about 22 percent ‘frequently’ use and about 11 percent ‘always’ use online bank transfer for making payment for online purchases.

More than 50 percent of the respondents ‘never’ use gift card as their mode of payment while only four percent ‘always’ use gift card.

Conclusion

Looking at the research findings made above, one can come towards a conclusion that although cash on delivery transactions are found to be the most common form of money transfer, we could eventually find a gradual shift towards utilizing cardless payment resources as the proliferation of intermediary mobile



transfer services through mobile applications like PhonePe and Google Pay running on the UPI system have already reached the most remote parts of the country. As an increase of utilization of these services takes place, it would result in a gradual increase in the trust of people, especially in the semi-rural and rural population towards cashless transactions. This would provide for a greater transparency in transactions across the nation, which will result in better taxation methods and a more efficient economy on the outset. Also, an increase in the technological literacy among people will help add to the usage of these mobile applications. Therefore, it is safe to say that these cashless transactions will eventually take over all transactions within the country in the next few decades, provided these services remain efficient and trustworthy.

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