

A COMPARATIVE STUDY ON E-COMMERCE PAYMENT CHOICE AMONG TIER I AND TIER II CITIES OF INDIA

Dr. Seema Laddha*
Prof. Anguja Agrawal**

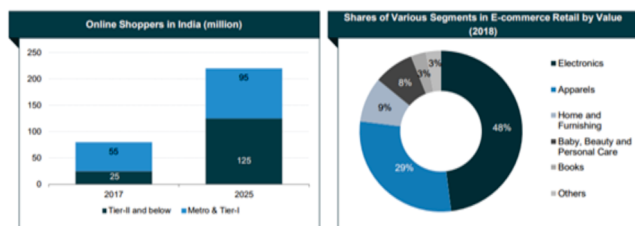
ABSTRACT

The ecommerce industry in India has shown tremendous growth over the last few years. Adoption of technology, smartphones and access to the affordable internet are the major factor which led to an increased online consumer base. Including urban population there is also approximately 50 – 55% of eCommerce business comes from the tier 2 and tier 3 cities. This may be going to the new strategic area for ecommerce businesses in India. On ecommerce there are different mode of payment option available, but consumer are not having trust or not comfortable with some mode of transport. Thus, to identify consumer behaviour towards online payment mode selection is the research question. Purpose: The main purpose of the research is to understand the behaviour of customer while payment for online purchases by collecting sample not only in tier I but also tier II and tier III in India. Design/methodology/approach: Primary data has been collected form the sample population of different cities. Result: Find out that safety and security along with the trust are the major factor for the payment mode selection.

Keywords : Ecommerce, payment mode, Consumer behaviour

Introduction

Adoption of technology and affordable quality internet services has paved the way for the growth of ecommerce. Ease of available product information, online payment option, convenience, changing consumer attitude are the reasons for increase in online purchase. (Dr.R.Shanthi I Dr. Desti Kannaia, 2015).



Source:IBEF

As per the data from IBEF online retail is growing at a faster pace in tier II and below cities than that of urban. Reasons mentioned inn the reports are consumer disposable income, education, internet penetration along

with the supply side improvement in logistics. As shown in figure electronics and apparels are the major focus of the consumer.

For bringing more consumer onboard companies are improving their services. Different methods of payment for e-commerce transactions is used , including internet banking, credit and debit cards, payment getaways for e-cash, e-checks, and e-wallets and cash-on-delivery (COD). Consumer choice for different mode of payment may varies with the type of product, price of product, consumer geographical location, demographic of consumers etc

But as the country like India with geographical diverse consumer behaviour it is important to understand and satisfy their needs as required by them. Ecommerce Companies are coming with the lots of payment options, but which is acceptable to tier I and tier II is important to understand. Thus, this research aims to compare

*Assistant Professor - SIES College of Management Studies, Nerul, Navi Mumbai

**Assistant Professor - SIES College of Management Studies, Nerul, Navi Mumbai

ecommerce consumers the payment mode choice among tier I and tier II cities of India.

Literature Review

Growth of ecommerce

Demographic dividend & rising internet accessibility paved the way for the growth of Indian e-commerce Sarode, R. M. (2015). Increasing demand of e-commerce is due to the infrastructure and environment that enables and facilitates e-business. 24/7 access of internet, more choices of products price comparison, and improved delivery process are some of the reasons of growth of ecommerce (M. Danish Khan Khan, 2017).

Factors affecting the mode of payment

Widely used online payment mode of transaction are cash on delivery or third-party payment ex Paytm, followed by credit and debit cards (Kim et al. 2010). Studies found the effect of transaction types, payment method attributes (risk, convenience, and cost), and demographic variables on consumers on choice of payment method (Foster et al. 2011; Ho and See-To 2010). There is also influence of price-related variables such as rewards, offer on selection of payment mode (Ching and Hayashi 2010).

Consumer payment method choice can also determine by three types of characteristics which are related to (i) transaction, (ii) payment method, and (iii) consumer (Bounie and Francois 2009)

Importance of Product attributes & Traders' characteristics for online Payment behaviour

For auction site of electronic commerce, the choice of payment method is more crucial. Using the survey data collected from eBay users, found that **Product attributes, Traders' characteristics** are influence the mode of payment. (Zhang and Li, 2006)

If there is product related uncertainties, probability of credit cards uses will increase, otherwise cash-on delivery will be more likely to be adopted. (Zhang and Li, 2006)

For Traders related characteristics like the sales volume can affects payment choice. Reputation of seller can also have stronger effects on choice of payment in B2B business. If there are credit cards offers given by seller is also creating impact on choice of a payment

option (Zhang and Li, 2006).

The probability of cash use declines as the transaction amount increases Bounie and Francois (2009). Transaction context, product price, and product type are transaction characteristics (e.g.,) may have an influence on payment method choice. **Product price** also affects payment method (Hayashi and Klee (2003)

Considering the product type hedonic type of satisfaction is difficult to evaluate before purchase than utilitarian function (Batra and Ahtola, 1990).

Perceived risk has an important determinant of consumers' use of e-payment systems (Kim et al. 2010; Tsiakis and Sthephanides 2005). Risk of functionality inefficiency, risk of information misuse, and risk of failure to gain product benefit decide the payment mode Glover and Benbasat (2010-11) Investigating eBay traders uncertainty associated with product quality, appears to have a stronger influence on payment method choice Zhang and Li (2006)

Payment method also decided by demographic variables like age and income. Old people are generally use cash more than younger people, similarly higher income individuals are more inclined to use credit cards than debit cards (Simon et al. 2010).

There are list of factors discussed in literature explain the impact on choice of payment mode by ecommerce but in the context of Indian consumer very less literature available. The existing research is carried out to identify the factors influencing selection of payment among the frequent users of gen Y and Z. This research is confined to the payment choices among the tier I & II consumers.

Objective

- To study factors responsible for the choice of Payment options among the ecommerce consumers
- To compare choice of payment option among the tier I and tier II cities

Statement of Problem

Growth of economy and penetration of internet at all parts of country increase the demand of ecommerce product. Data and report show that more percentage of ecommerce growth is coming from tier II cities.

Ecommerce Companies are offering same payment service options throughout the India. There may be difference in the choice and requirement which was not address in any literature. So to identify the gap and provide the suggestions to the companies for improving the services and retaining the tier II consumers this study is important.

Research Methodology

The current study is based on primary data collected from 130 respondents from the tier I and tier II cities. Data is collected by using well-structured questionnaire. The questionnaire was designed to study behaviour of consumer towards choice of payment mode. The responses have been collected by circulating google form

Sampling Plan

Data is collected from the customers who have been using the digital payment modes.

Sample size: In this survey the sample size was 130 from the tier I (Mumbai, Delhi etc)& tier II cities. (Bhopal, Lakh now) etc

Sampling procedure: We adopted questionnaire method

for collection of primary data, secondary data from literature like research papers, report etc

Research and Statistical Tools Employed

The research and statistical tools employed in this study are graphical and frequency analysis by using tableau.

Hypothesis

H0: There is no significant difference between the choice of payment method in tier I & tier II cities

H1: There is significant difference between the choice of payment method in tier I & tier II cities

Data Analysis

Online Buying habits of Consumers :

Fig 1 shows that data for the research has been collected from total 130 respondents whereas 60 respondents are from 10 Tier II cities like Lucknow, Bhopal, Indore, Trichur, Pune etc and 70 respondents from Tier II cities of India like Mumbai, Bengaluru, New Delhi and Kolkata.

Data depicted in above map of India shows that majority of respondent buy product online. There is no difference between tier I and tier II cities respondent's preference for online buying.

Relations between Family Income and Online Purchasing



Fig 2: Relations between Family Income and Online Purchasing

Fig 2 graph shows there is no relation of family income between online shopping preference. Respondents prefer

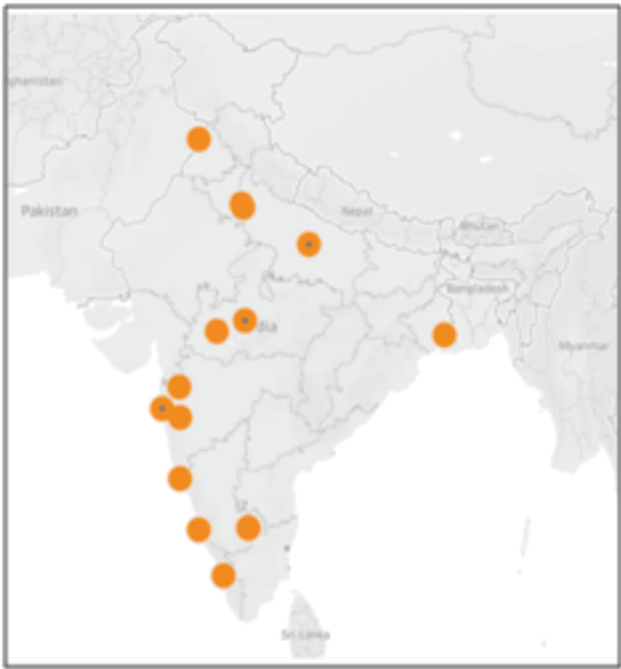


Fig 1: Consumer demographics

to buy products online shopping irrespective to family income.

Preference of Online Shopping Platforms

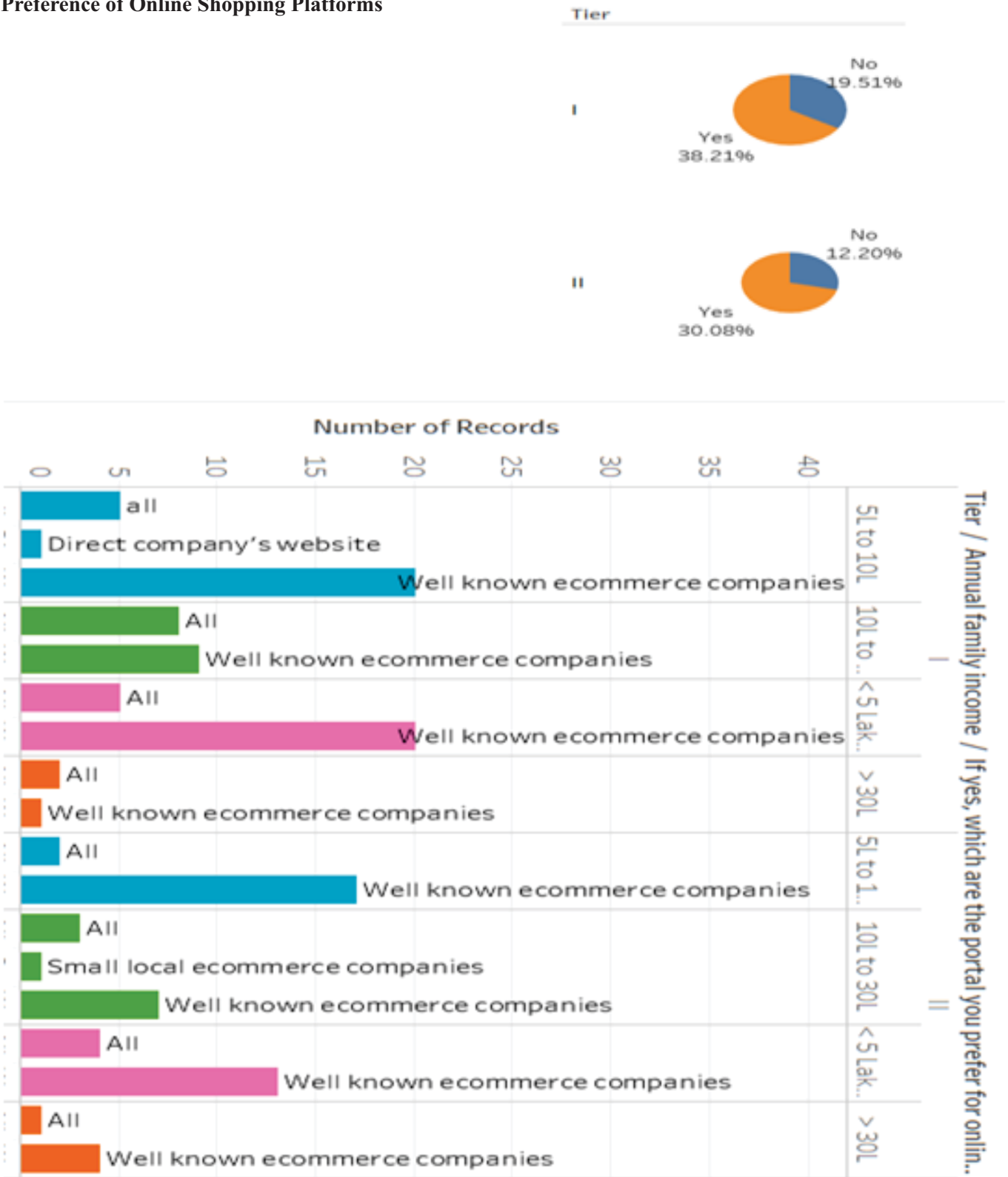


Fig 3: Preference of Online Shopping Platforms

Fig 3 reveals that all income group prefers online shopping from well-known ecommerce companies like Amazon, eBay etc. or few people shop irrespective of shopping platform. Whereas there are only two respondent who prefers to buy from direct seller of or small local ecommerce companies.

Factors affecting premium product

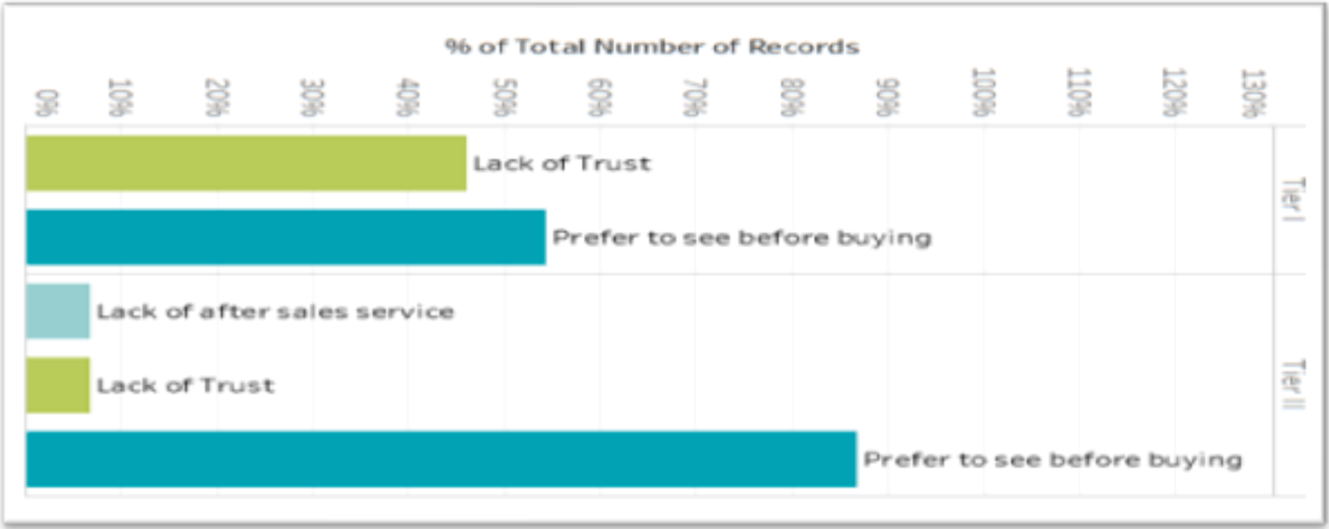


Fig 5: Reason for not buying product of Rs 10K or more through online platforms.

Fig 5 depicts that both from Tier I & II, Respondents prefer to see product before buying and this is the main reason not buying product of Rs 10K or more through online portals.

In Tier I cities, 48% respondent do not trust online platforms for buying product of Rs 10K or more whereas only 9 % respondent find online platform untrustworthy for buying products of Rs 10K or more.

In tier II cities 9 % respondent find lack of after

Choice of Online Platform

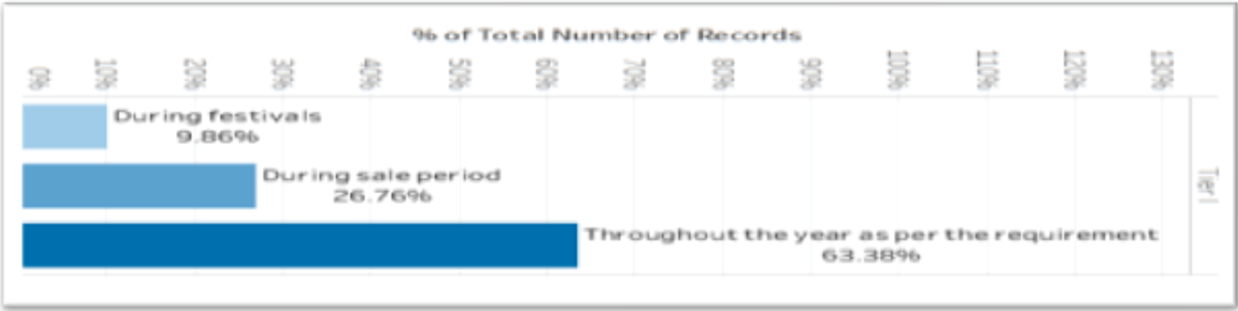
Fig 4 explain that 68.29% respondents prefer to buy products of Rs 10K or more using online platforms whereas 31.71% do not prefer online shopping of products worth 10k or more.

Fig4: Do you buy durable product of Rs 10 thousand or more using online platforms.

sales services a reason for not buying product of Rs 10K or more using online platform whereas respondents from tier I cities does not find lack of availability of after sales services.

66.67% people out of 31.71% people who do not buy durable product of Rs 10 thousand or more using online platforms **prefers to physically see the product** before buying. Second reason for not buying product of more than 10 Rs online is **lack of trust on online platforms**.

Preferred Time for Online Buying



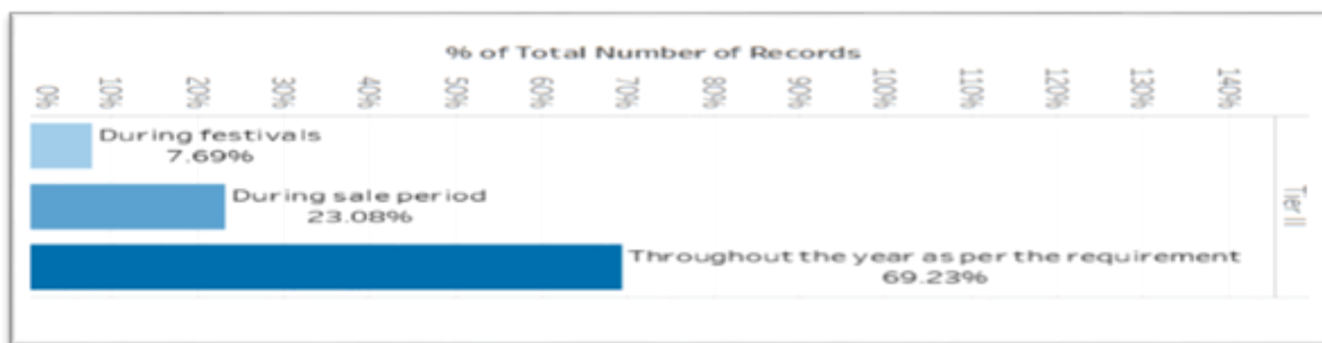


Fig 6 : When Buyer prefer online shopping

In both Tier I & Tier II cities more than 60 % respondents prefer online shopping throughout the year as per the requirement, whereas 26.76% in tier I and 23.08% in Tier II respondents prefer online shopping during the sale period.

Choice of Mode of payment

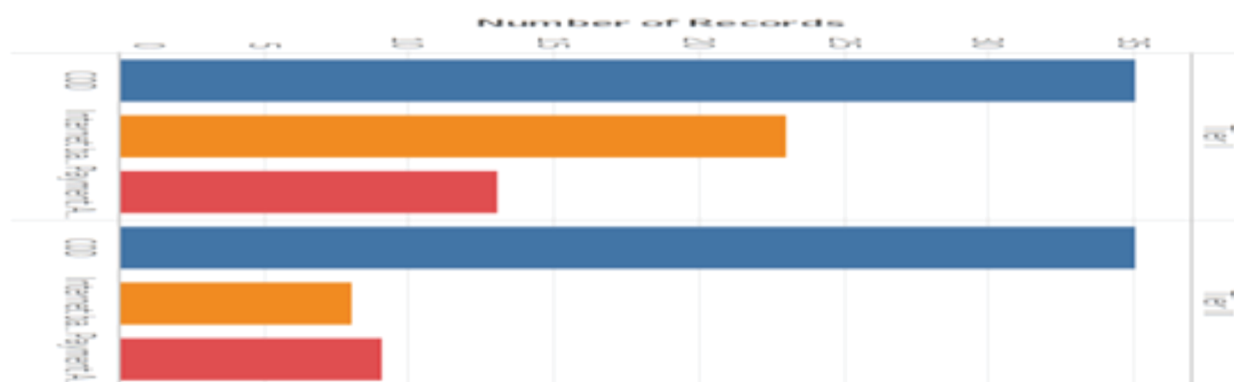
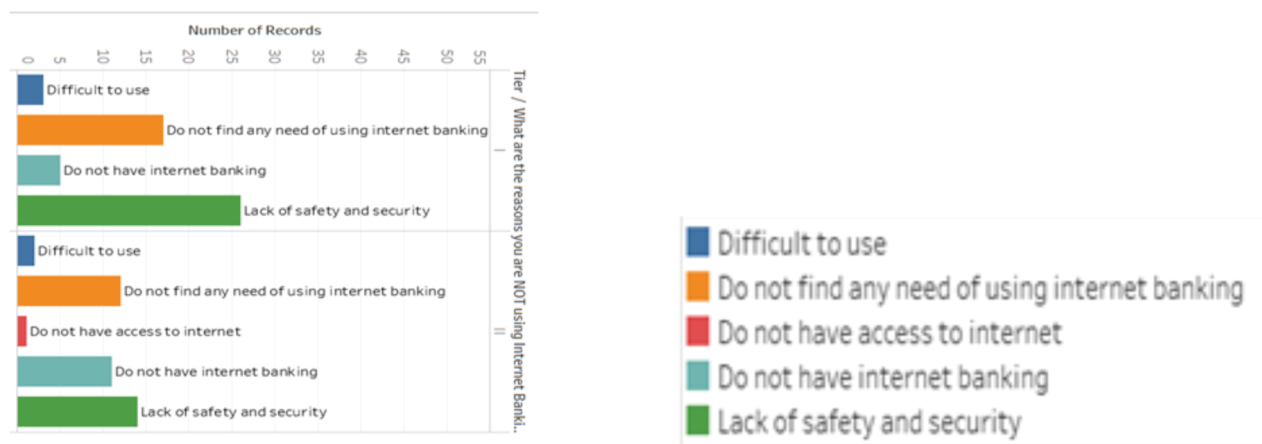


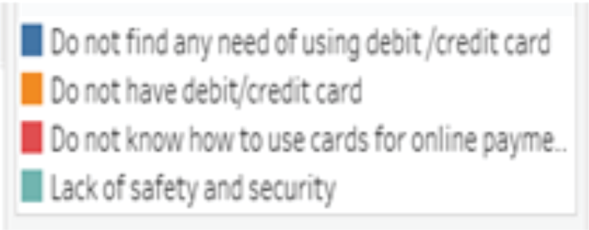
Fig 7 : Preference of Mode of payment while online shopping

Fig 7 shows that tier I and tier II cities, majority of respondent prefers to Cash on delivery for online shopping whereas Internet Banking and Payment Apps is second and third most used payment mode for online shopping respectively. While if we compare preference of respondents of tier I & tier II cities, Internet Banking and Payments Apps are more popular mode of payments in tier I cities.

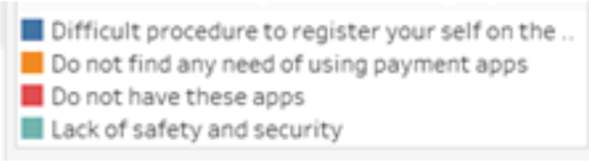
Reasons for not using Internet banking for payment while online shopping



Reasons for not debit/credit cards for payment while online shopping



Reasons for not using payment apps for payment while online shopping



Majority of respondent do not find payment through internet banking/credit card /debit card/payment apps trustworthy while online purchasing. According to respondent payment through theses modes are not safe and secure.

Second major reason for not using these modes of payment while online shopping is that respondent do not find any need of using these payment modes.

Unavailability of Internet Banking and Payment Apps (like Paytm, Google Pay etc) is also one of the major reasons for not using these two modes of payment while online shopping.

There is significant difference between the choice of payment method in tier I & tier II cities hence **null hypothesis is accepted**

Conclusion

Unprecedented growth of Ecommerce forces all the companies to go online. Although tier II cities

showing very fast growth but as far as their choices compare with the goods purchase and payment options are same. It shows that the ecommerce companies need not have to develop different strategies. They can enter into all parts of country only by developing proper delivery system. It was also observed that major purchases are happened in both the cities during festive season with preferred choice of well known big ecommerce website . The consumer those who are not using online payment options have the same reasons of trust , need and not having of internet in both the cities.

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