

International Journal of Agriculture Extension and Social Development

Volume 9; Issue 2; February 2026; Page No. 354-357

Received: 24-11-2025
Accepted: 28-12-2025

Indexed Journal
Peer Reviewed Journal

Consumer spending in the digital age: The effect of payment method choices on online purchases

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DOI: <https://www.doi.org/10.33545/26180723.2026.v9.i2e.3079>

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Abstract

Online shopping has been increasing day by day in this modern era but still people are not fully aware of it. The present study aims to determine the effect of payment method on the online buying behavior. The research comprises a sample size of 120 respondents, specifically students of under graduation, post-graduation and PhD through random sampling. For data collection, a self-structured questionnaire was given to respondents through two ways i.e. online platform and interview schedule. The study concludes that most of the respondents were using cash on delivery option even though using digital platform for transaction due to lack of trust, and inconvenience.

Keywords: Online shopping, e-commerce, payment method, consumer buying behavior

Introduction

E-commerce is rapidly gaining ground in India, with an increasing number of consumers opting for online shopping due to its convenience, availability, and affordability. This change has brought about a shift in the traditional marketing strategies from brick-and-mortar stores to online platforms. The total interaction between marketers and consumers is being significantly influenced by the online buying environment.

The introduction of various payment systems has boosted online transactions. On the contrary, challenges such as lack of knowledge about online shopping, low internet penetration rates in rural areas, lack of awareness and lack of trust in online transactions continue to impede the widespread adoption of e-commerce in India. Online payment options have evolved significantly over the years, making it easier and safer for consumers to make the transaction online. In addition to traditional options like credit and debit cards, buyers can now use digital wallets, gift cards, net banking, and UPI payments (through Google Pay, PhonePe, Paytm, YONO, BharatPe, etc.). These payment options have become crucial in the context of India's push towards a cashless economy which is eco-friendly. Indian consumers are known to be cautious about sharing their personal and financial information online because of the increasing number of cybercrimes reported in the country. To tackle this issue, e-commerce companies in India have been implementing various security measures such as two-factor authentication and encryption techniques. Additionally, having a safe and secure payment gateway that accepts popular payment options such as net banking,

credit cards, and digital wallets is crucial in building trust and encouraging consumers to shop online. As technology continues to advance, more convenient and secure payment options can be expected in the future.

Discounts, sales, cash backs and promotions are effective marketing tools that can impact online purchasing behavior. According to Fauzi *et al.* 2018 ^[2], the discounts, free gifts, and high quality of online stores have convinced consumers to engage in online buying. Indian consumers are known to be price-sensitive, and discounts and sales are perceived as an opportunity to save money. Online buying platforms like Flipkart, amazon, Myntra, Meesho, etc use special festive offers, flash sales, buy-one-get-one (BOGO) deals, and cash back schemes to attract and retain customers. These promotions create a sense of urgency among consumers to make a purchase decision, resulting in increased sales for the retailer.

According to Nagra and Gopal (2013) ^[6], demographic factors (consumer's age, gender, qualification, marital status, family size, and income) have a significant impact on online shopping parameters like customer satisfaction, future purchase intention, frequency of online shopping, the number of items purchased, and overall expenditure in online shopping.

Methodology

To achieve the objectives of the present study, the study area was purposively selected namely three districts of U.P i.e., Ayodhya, Lucknow and Kanpur. Respondents were selected randomly for the study. Total 120 respondents (under graduate, post graduate and PhD students from

different streams) were selected for the present study. The self-structured questionnaire was prepared in order to collect information to obtain the objectives of the study. For the collection of online data from the respondents, the self-structured questionnaire was disseminated via various platforms like WhatsApp, Gmail, etc. For the collection of offline data, structured interview schedule was prepared to get responses from the respondents. Of the 120 responses

from the respondents, 90 were received from the online survey and the remaining 30 responses were collected from offline/ structured interview schedule. Statistical analysis was done using mean, standard deviation, Chi- square and percentage.

Major Findings

Table 1: Socio- Demographic Profile of respondents

Sr. No.	Distribution of Respondents According to	Frequency (n)	% %
A.	Gender		
	Male	35	29.2
	Female	85	70.8
B.	Religion		
	Hindu	109	90.8
	Muslim	7	5.8
	Sikh	4	3.4
C.	Caste		
	General	72	60.0
	OBC	28	23.3
	SC/ ST	20	16.7
D.	Type of family		
	Nuclear family	75	62.5
	Joint family	45	37.5
E.	Family size		
	3 to 4 members	43	35.8
	4 to 6 members	44	36.7
	6 to 8 members	14	11.7
	8 to 10 members	19	15.8
F.	Marital status		
	Single	114	95.0
	Married	6	5.0
	Divorcee	-	-
G.	Household income monthly		
	Below Rs. 1230/-	2	1.7
	Rs. 1230 to Rs. 2464/-	17	14.2
	Rs. 2465 to Rs. 4109/-	16	13.3
	Rs. 4110 to Rs. 8219/-	12	10.0
	Rs. 8220 and above	73	60.8

Table-1 reveals the socio demographic profile of the respondents and it showed that 70.8% of the respondents were female followed by 29.2% respondents were male.

More than 50% of respondents were pursuing under graduation and only 28.3% of respondents were post graduate students.

Table 2: Distribution of respondents according to number of times bought things online during past six months

Degree pursuing	Number of times bought things on the Internet (Past 6 months)			
	0 times	Less than 5 times	5 to 10 times	11 times or more
UG	8 (6.7%)	33 (27.5%)	19 (15.8%)	8 (6.7%)
PG	-	16 (13.3%)	9 (7.5%)	9 (7.5%)
PhD	-	9 (7.5%)	4 (3.3%)	5 (4.2%)
Total	8 (6.7%)	58 (48.3%)	32 (26.7%)	22 (18.3%)
χ^2	4.588			$p > 0.05$

Table 2 shows the number of times (during past six months) respondents had bought things in online buying. It revealed that 48.3% (27.5% undergraduate students, 13.3% post graduate students and 7.5% PhD students) of the respondents had bought things in online buying for less than 5 times followed by 26.7% (15.8% under graduate students, 7.5% post graduate students and 3.3% PhD students) of the respondents had bought online for 5 to 10 times during past six months. And respondents who had bought for 11 times or more were 18.3% (6.7% under graduate students, 7.5%

post graduate students and 4.2% PhD students). There were only 6.7% of under graduate students who had not bought anything during past six months. While Gupta and Khincha (2015) ^[3] found that 20% of respondents rarely purchase online, compared to 30% who do so frequently and 50% shops occasionally and Rao and Hymavathi (2018) ^[8] revealed that 28% respondents purchased once in a month, followed by 14% once in three months and 15% once in a year.

Table 3: Distribution of respondents according to their satisfaction with the product

Satisfy with product	Frequency(n)	%%
Yes	56	46.7
No	64	53.3
Total	120	100.0

Table 3 shows the number of times consumer had been either satisfied or not with the product which they had bought in online shopping. It reveals that 53.3% of the total respondents were not satisfied with the product they had

bought from online shopping portals while only 46.7% of the respondents were satisfied with the products, they had purchased in online shopping.

Table 4: Distribution of respondents according to resolving factor for dissatisfaction

Resolving factor for dissatisfaction	Frequency(n)	%%
Complaints	62	51.7
Replace	64	53.3
Return/ Refund	84	70.0

Table 4 explains the resolving factor for the situation when consumers were not satisfied with the product and reveals that 70.0% of the respondents chose to return or refund the product when they were not satisfied with the product

followed by 53.3% respondents preferred replacing the product when they were not happy with the product. The respondents who preferred complaint about the product when they were not satisfied with the product were 51.7%.

Table 5: Distribution of respondents according to expenditure in a month for online shopping

Spend money in online shopping in a month	Frequency (n)	Percent%
Less than Rs 500/-	24	20.0
Rs. 500 to Rs. 1000/-	40	33.3
Rs. 1000 to Rs. 1500/-	22	18.3
Rs. 1500 to Rs. 2000/-	18	15.0
More than Rs. 2000/-	16	13.4
Total	120	100.0

Table 5 shows the amount of money respondents spend in a month while doing online shopping. It revealed that majority of the respondents i.e. 33.3% spend Rs. 500 to Rs. 1000 in a month followed by 20.0% of the respondents spend less than Rs. 500 monthly for buying goods in online shopping. The respondents who spend Rs. 1000 to Rs. 1500 monthly in online shopping were 18.3% and there were 15.0% respondents spend from Rs. 1500 to Rs. 2000 on monthly basis for online shopping purpose. Only 13.4% respondents used to spend more than Rs. 2000 for buying commodities like clothes, accessories, stationary etc in

online shopping.

While Rao and Hymavathi (2018) ^[8] revealed the average monthly cost for online purchases was Rs. 1,000 or less for 35% of respondents, Rs. 1,000 to Rs. 2,000 for 24% respondents, Rs. 2,001 to Rs. 3,001 for 22%, and Rs. 3,001 to Rs. 4,000 for 12%. 18% of people spend more than Rs 4,000 per month. On the other hand Rungsisawat *et al.* (2019) ^[9] in their research revealed that 58% of respondents spent RM0-500 monthly, 20% spent RM501-100, 20% spent 1501 and above whereas, 2% spent 1001-1500.

Table 6: Distribution of respondents according to preference of payment mode

Preference of payment mode	Frequency(n)	%%
Credit card	11	9.2
Debit card	22	18.3
Cash on delivery	102	85.0
Online payment	79	65.8

Table 6 shows that 85.0% of the respondents preferred cash on delivery for the payment in online buying services even though they pay using online mode while receiving, followed by 65.8% of the respondents preferred online payment option(prepaid) for paying the amount in online shopping. The study found that 18.3% of the respondents used debit card and only 9.2% of the respondents used credit card for the payment of commodities that they had bought from online shopping portals.

While Gupta and Khincha (2015) ^[3] found that 58% of

respondents prefer payment by cash on delivery, 26% prefer payment by debit card, 16% prefer payment by credit card, and the other 2% prefer other payment options. On the contrary, Pise *et al.*, (2021) ^[7] found that cash on delivery followed by credit cards are the most preferred method while shopping online and Jain and Bhardwaj (2022) ^[5] revealed that majority of respondents which is 55% prefer to pay by cash on delivery, net banking is used by 10%, debit cards are used by 50%, and credit cards are used by 20%.

Table 7: Distribution of respondents according to preference for buying commodity in online shopping

S. No.	Items buying from Internet	Frequency(n)	% %
1.	Electronic gadgets	68	56.7
2.	Books	70	58.3
3.	Clothing	117	97.5
4.	Footwear	76	63.3
5.	Beauty care products	67	55.8
6.	Accessories	65	54.2
7.	Baby care products	19	15.8
8.	Furniture's	10	8.3
9.	Tickets (Transportation/ Movie)	42	35.0
10.	Vehicle essentials	28	23.3
11.	Stationery	40	33.3
12.	Fitness equipment	37	30.8
13.	Grocery	55	45.8
14.	Fruits/ Vegetables	38	31.7
15.	Medicine	56	46.7
16.	Food	116	96.7

Table-7 shows the frequency of buying different commodities online by the respondents and it revealed that majority of respondents *i.e.* 97.5% had bought clothing from various online portals as per their requirement and desire followed by 96.7% of the respondents had bought food (63.3% ordered cooked food and 25.5% respondents ordered convenience food) and made it the second largest commodity bought online by the respondents. After clothing and food, 63.3% respondents highly bought footwear in online shopping which makes it the third highly bought commodity in online shopping. The results also revealed that other products bought by the respondents were books by 58.3% respondents, electronic gadgets by 56.7% respondents, beauty care products by 55.8% respondents, accessories (including bags, belts, glasses, etc.) by 54.2% respondents, 46.7% respondents prefer to buy medicine (prescribed medicine by 48.3% and supplement by 94.2%) and grocery by 45.8% of the respondents. While tickets (either for transportation or movie) were bought by 35.0% respondents, 33.3% preferred to bought stationary from online shopping, 31.7% of the respondents even preferred to bought fruits or vegetables from online buying and the frequency for fitness equipment were 30.8% of the respondents. The least bought commodities were vehicle essentials by 23.3% respondents followed by baby care products by 15.8% respondents and only 8.3% of the respondents preferred to buy furniture through online shopping.

While Bashir *et al* (2015) ^[1] in their study also showed that the most popular items for online shopping were apparel and footwear. On the other hand, Rungsisawat *et al.* (2019) ^[9] revealed that most chosen category for online shopping was buying clothes, accessories, apparels which was 34%, then 22% people chose others in which respondents wrote travel/hotel booking etc., 20% respondents bought gadgets and electronics online, 14% respondents tended to purchase daily use items online, 2% bought cinema tickets online and the remaining 2% bought books and magazines online and Jain and Bhardwaj (2022) ^[5] found that 70% of respondents prefer electronic, 68% prefer apparel, 56% prefer homeutilities, and 47% prefer to purchase groceries when purchasing items.

Conclusion

After all the findings and results, the study concluded that mode of payment is very influential factor in online buying

behavior. The frequency of shopping is more in under graduate degree in comparison to post graduate and PhD students. Most of the respondents prefer not to spend much in online shopping except for Rs. 500 to Rs. 1000 monthly because of dependency on family. Mostly respondents chose cash on delivery mode of payment even though they use digital mode for paying during delivery, the reason behind is that they fear that their order get delivered to someone else in the hostel if it is prepaid online transaction (because not every order comes with OTP, like in food).

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