Impact on Consumer Financing Facilities on Online Shopping

OPEN ACCESS

Volume: 11

Special Issue: 1

Month: March

Year: 2024

E-ISSN: 2581-9402

Received: 17.01.2024

Accepted: 11.03.2024

Published: 22.03.2024

Citation:
Pragadheeshwaran, S., and R. Darsan. "Impact on Consumer Financing Facilities on Online Shopping." *Shanlax International Journal of Management,* vol. 11, no. S1, 2024, pp. 145–50.

DOI:
https://doi.org/10.34293/management.v11iS1-Mar.8034

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Abstract
The surge in popularity of consumer finance options, particularly in the realm of online shopping, has reshaped the dynamics of modern commerce. This research explores the profound impacts of consumer financing on internet shopping behavior merchant revenues and market competitiveness. By enabling consumers to make larger purchases with ease and accessibility, these financing alternatives have not only expanded the online shopping landscape but also intensified competition among businesses vying to offer optimal financing solutions. However, concerns regarding debt accumulation and hidden costs persist, prompting a critical examination of various financing avenues such as credit cards, personal loans, and installment plans. Moreover, the integration of consumer finance into online retailing presents opportunities for merchants to tailor marketing strategies and foster customer loyalty, albeit with inherent risks of fraud and default. This study underscores the transformative role of consumer finance in online purchasing behavior and emphasizes the importance of strategic risk management for retailers to navigate this evolving landscape effectively.

Keywords: Consumer Finance, Consumer Behavior, Financing Options, Internet Commerce, Market Competitiveness, Personal Loans

Introduction

In recent years, consumer finance options have grown in popularity, particularly with the rise of online shopping. With the use of loans or credit, consumers are able to make purchases, frequently at interest rates that are low or non-existent, making pricey purchases more manageable.

Consumer finance options have significantly impacted internet shopping. Customers may now easily make larger purchases online, which have improved revenues for internet merchants. Additionally, it has increased the accessibility of internet shopping for customers who previously might not have had the financial means to make pricey purchases.

Consumer financing alternatives have also boosted rivalry among online businesses as they fight to provide their clients with the best financing solutions. In an effort to draw in and keep customers, this has led to better and more flexible financing choices for consumers.

There are worries that consumer financing options could promote debt and overspending, though. Consumers could succumb to temptation and spend more than they can afford, accruing heavy debt that is challenging to pay off. Additionally, certain financing alternatives could have exorbitant interest rates or hidden fees, which would raise the cost of goods even more.

There are several types of consumer financing facilities available for online shopping, including credit cards, personal loans, and instalment plans. Each type of financing has its own advantages and disadvantages, and consumers should carefully consider their options before choosing one.

Due to their convenience and flexibility, credit cards are a preferred method of consumer financing for online purchasing. However, credit cards also have hefty fees and interest rates, so people who don't pay off their bills in full each month can easily rack up a sizable amount of debt.

Another choice for consumer financing is personal loans. These loans have predictable and reasonable fixed interest rates and payback schedules, making them a good option for financing purchases. Personal loans, however, could have origination costs and might demand a credit check, which might prevent some customers from applying.

Online shoppers are increasingly using instalment plans, sometimes referred to as buy now, pay later (BNPL) alternatives. Consumers can break up large purchases into smaller payments with these programmes, frequently without paying any interest or other costs. While BNPL alternatives can lower the cost of items, if consumers do not carefully manage their payments, they may also encourage overspending and result in debt.

Additionally, merchants who offer consumer financing options frequently have the chance to gather client information that may be used to tailor next marketing campaigns. Retailers can target particular consumer groups with marketing campaigns by analyzing client purchasing patterns and financing preferences. This increases the likelihood that customers will return and fosters customer loyalty.

Offering consumer financial facilities carries inherent hazards as well, such as the possibility of fraud or default. Retailers must thoroughly evaluate the creditworthiness of their consumers and put precautions in place to stop fraud.

Overall, consumer financing options have had a big impact on online purchasing, increasing customer loyalty and making larger purchases more affordable. To avoid suffering financial losses or reputational harm, retailers must carefully manage the risks connected to these facilities.

Objectives of the Study

The objective of the study on the impact of consumer financing facilities on online shopping is to analyze the effect of consumer financing options, such as credit cards, installment plans, and personal loans, on the behavior of online shoppers. Specifically, the study aims to identify whether the availability of consumer financing facilities influences the frequency and volume of online shopping, the types of products purchased, and the overall customer experience.

The study may also seek to explore the relationship between consumer financing and other factors such as consumer demographics, income level, and online shopping behavior. Additionally, the study may examine the impact of consumer financing on the profitability of online retailers, including the costs associated with offering financing options, such as interest charges, and the potential benefits of increased sales and customer loyalty .Ultimately, the objective of the study is to provide insights into the role of consumer financing facilities in the growth of online shopping and to help online retailers make informed decisions about whether to offer financing options to their customers.

Methodology of the Study

The impact of consumer financing facilities on online shopping has become an increasingly important topic for both online retailers and financial institutions. Consumer financing facilities are financial services that allow consumers to purchase products and services on credit. In the context of online shopping, consumer financing facilities are often used to make big-ticket purchases more affordable, such as buying expensive electronics or furniture. The aim of this methodology is to outline the steps that can be taken to conduct a study on the impact of consumer financing facilities on online shopping.

Review of Literature

Online shopping has become an integral part of modern consumer culture, offering convenience and satisfaction to shoppers while expanding market reach for retailers. Despite its widespread adoption, there remains a need to comprehensively understand the nuances of online consumer behavior and the factors that influence it. Through an examination of various studies, this paper seeks to delve into the intersection of financial capabilities, technological advancements, and consumer perceptions in the realm of online shopping.

Financial capabilities play a significant role in shaping individuals' propensity to engage in online shopping activities. Studies by Genjancera (2020) and Neha Singh & Radhika Santhanam (2017) highlight the positive correlation between access to banking services, digital banking usage, and consultation of financial matters with online purchasing behavior. This suggests that individuals with enhanced financial literacy and access to financing options are more inclined to participate in online shopping and exhibit higher spending tendencies. Moreover, the availability of financing options not only boosts consumer confidence but also mitigates perceived risks associated with online transactions, thereby fostering trust in online retailers (Neha Singh & Radhika Santhanam, 2017).

Technological advancements have revolutionized the landscape of online shopping, enabling retailers to transcend geographical boundaries and tap into diverse consumer markets. Navpreet Singh & Sidhu (2013) elucidate how platforms like eBay and Homeshop18 have successfully leveraged the internet to enhance brand awareness and reach among residents of Ludhiana, Punjab. The ubiquity of the internet facilitates easy access to a plethora of products, comparison of prices, and seamless transactions, thereby enhancing the overall shopping experience (Genjancera & Quyen Phu Thi Phan, 2020). Additionally, the emergence of search engines and mobile devices has further expedited the online shopping process, enabling consumers to browse and purchase products with unprecedented ease and speed (Mohd. Shoeb, 2019).

Consumer behavior in the online shopping domain is influenced by a myriad of factors, ranging from financial capabilities to psychological tendencies. Aijaz A. Shaikh et al. (2018) shed light on the moderating role of impulsive buying tendencies in the relationship between consumer financing and online purchasing behavior. The study underscores the importance of targeting consumers with high levels of impulsivity when promoting financing options, thereby capitalizing on their propensity for spontaneous purchases. Conversely, Bindia Daroch, Gitika Nagrath, & Ashutosh Gupta (2021) identify various factors limiting online shopping behavior, including concerns related to security, trust, and the perceived convenience of traditional shopping methods. These findings underscore the complex interplay between individual preferences, trust, and technological innovations in shaping consumer behavior in the online shopping landscape.

While online shopping presents numerous benefits, it also poses challenges that warrant attention. Bindia Daroch et al. (2021) highlight several issues faced by consumers, such as fears regarding bank transactions, inadequate product information, and a lack of trust in online platforms. Addressing these concerns is crucial for fostering consumer confidence and promoting sustained growth in the e-commerce sector.

In conclusion, the dynamics of online shopping are multifaceted, encompassing financial capabilities, technological advancements, and consumer perceptions. Understanding the interplay between these factors is essential for both retailers and policymakers seeking to harness the full potential of e-commerce. By addressing the challenges and leveraging the opportunities presented by online shopping, stakeholders can contribute to its continued evolution as a cornerstone of modern retail.

Data Interpretation and Analysis

Table Showing the Respondents Opinion towards is there a Benefit of Buying through Credit Card in Online Shopping

S.No	Is there a Benefit of Buying through Credit Card in Online Shopping	No of Respondents	Percentage
1	Strongly disagree	14	11%
2	Disagree	17	13%
3	Neutral	40	30%
4	Agree	60	45%
5	Strongly Agree	2	2%
	Total	**133**	**100%**

From the above table we know the respondents opinion towards the benefit of buying through credit card in online shopping, 11% of respondents strongly disagree, 13% of respondents disagree, 30% of respondent are neutral, 45% of respondents agree and 2% of respondents strongly agree

Table Showing the Respondents Opinion towards Have You Lost Any Money While Shopping Online

S.No	Have You Lost Any Money While Shopping Online	No of Respondents	Percentage
1	I have	66	50%
2	I have not	63	47%
3	Sometimes	4	3%
	Total	**133**	**100%**

From the above table we know the opinion of respondents towards losing their money while using online shopping 50% have lost their money,47% have not lost their money and 3% have something lost their money

Table Showing the Respondents Opinion towards What Do You Prefer

S. No	What Do You Prefer	No of Respondents	Percentage
1	Online shopping	103	77%
2	Offline shopping	30	23%
	Total	**133**	**100%**

From the above table we know respondents opinion on online and offline shopping , 77% choose online shopping and 23% choose offline shopping.

Findings

1. Cash on delivery generates the highest level of satisfaction among respondents, with 46 expressing very satisfied sentiments, followed by 18 respondents indicating satisfaction. A total of 64 respondents remain neutral regarding their experience, while only 2 express dissatisfaction and 3 report being very dissatisfied. Conversely, the lowest satisfaction levels are associated with EMI payment methods.
2. The above table shows how satisfied the respondents are while using credit card, 47% respondents are very satisfied, 6% are satisfied, 27% are neutral, 14% are dissatisfied and 6% are very dissatisfied.
3. The above table shows how satisfied the respondents are while using debit card, 54% respondents are very satisfied, 20% are satisfied, 17% are neutral, 4% are dissatisfied and 5% are very dissatisfied.
4. The above table shows how satisfied the respondents are while using EMI, 7% respondents are very satisfied, 47% are satisfied, 25% are neutral, 12% are dissatisfied and 9% are very dissatisfied

Recommendations

Consumer financing facilities can have a significant impact on online shopping by making it easier for consumers to make purchases that they may not be able to afford upfront. These financing options provide consumers with the ability to pay for their purchases over time, often with low or zero-interest rates. This can lead to increased sales for online retailers, as consumers are more likely to make larger purchases when they have the option to finance them.

Additionally, consumer financing facilities can help to increase customer loyalty and repeat business. By offering financing options, online retailers can create a more seamless and convenient shopping experience for their customers, which can encourage them to return for future purchases. This can be particularly beneficial for retailers that sell big-ticket items, such as electronics or furniture, where financing options may be more attractive to customers.

However, it is important for online retailers to carefully consider the impact of offering financing facilities on their bottom line. While these options may lead to increased sales and customer loyalty, they may also come with additional costs, such as processing fees and potential defaults on payments. Retailers should weigh the potential benefits and risks of offering financing options and make a decision that aligns with their overall business strategy

Conclusion

In conclusion, consumer financing facilities have a significant impact on online shopping. These financing options provide consumers with greater purchasing power and flexibility, allowing them to make larger purchases or spread out the cost of a purchase over time. As a result, online retailers offering consumer financing options may see increased sales and customer loyalty. However, it is important for consumers to carefully consider the terms and fees associated with these financing options to avoid overextending themselves financially. Overall, consumer financing facilities have the potential to benefit both consumers and online retailers in the increasingly competitive world of e-commerce.

However, it is important to note that consumer financing facilities come with their own risks and challenges. Consumers may be tempted to overspend and take on more debt than they can afford, leading to financial difficulties in the long run. Additionally, retailers must be transparent about the terms and fees associated with these financing options to avoid misleading consumers or causing them to incur unnecessary expenses.

In summary, consumer financing facilities have a significant impact on online shopping by increasing purchasing power, providing flexibility, and boosting sales. However, both consumers and retailers must be cautious and responsible when using these facilities to ensure that they are used effectively and without any adverse cones.

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