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Perception of Customers towards Equated Monthly Instalments (EMI) as a method of payment in Online shopping with special reference to Madurai City

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Abstract: The rapid growth of e-commerce has significantly transformed consumer purchasing behaviour and payment practices. Among the various payment alternatives available in online shopping, Equated Monthly Instalments (EMI) have emerged as an attractive financing option, enabling customers to purchase high-value products by spreading the payment over a specified period. The present study, entitled "Perception of Customers towards Equated Monthly Instalments (EMI) as a Method of Payment in Online Shopping with Special Reference to Madurai City," aims to examine customers' perceptions, preferences and attitudes towards the use of EMI facilities in online purchases. The study focuses on factors influencing customers' adoption of EMI, including affordability, convenience, interest rates, repayment flexibility, availability of no-cost EMI, awareness, security and perceived financial burden. The findings of the study are expected to provide insights into the factors that influence customers' willingness to use EMI facilities for online shopping and the challenges perceived by them. The study contributes to the understanding of changing digital payment behaviour among consumers in the emerging e-commerce environment.

Keywords: Online Shopping, Equated Monthly Instalments, Customer Perception.

Introduction:

The rapid development of information and communication technology has brought significant changes in the way consumers search for, evaluate and purchase products and services. Online shopping has become an important component of modern retailing, providing consumers with the convenience of purchasing products from anywhere and at any time. Consumers today have access to a wide range of products, competitive prices, discounts and flexible payment options through various online shopping platforms.

Payment methods play an important role in determining the overall online shopping experience of customers. In addition to conventional payment methods such as debit cards, credit cards and cash on delivery, digital payment mechanisms such as Unified Payments Interface (UPI), mobile wallets, net banking and Buy Now, Pay Later (BNPL) facilities have gained considerable acceptance. Among these alternatives, Equated Monthly Instalments (EMI) have emerged as an important payment and financing option, particularly for the purchase of high-value products such as electronic goods, household appliances, mobile phones, computers and furniture.

Review Of Literature:

(Sakshi Malik, 2020) An exploratory study of online payment preferences among shoppers in India identified four distinct clusters based on their digital payment habits. The typology of Indian shoppers is summarized as follows: (i)Utilitarian Shopper: This group is highly driven by their lifestyle needs. They make purchases based on necessity and primarily use their savings accounts for transactions. (ii)Digital Realist: This segment is the most lucrative for online retailers. They tend to make high-value purchases and prefer to pay via EMI (Equated Monthly Installments). (iii)Aspiring Blooper: Characterized by frequent shopping, this segment shows significant potential. They do not use credit cards and have limited cash on hand. (iv)Leisurely Motivated Shopper: Comprising mainly of businesspeople and homemakers, this group shops frequently and prefers payment methods such as cash on delivery or net banking.

(Abdul Razack K P, 2024) This payment option has become increasingly popular among consumers, particularly among younger generations, to manage their finances and make larger purchases more affordable. However, it also has potential drawbacks, such as higher spending and risks of missed payments, that should be considered before utilizing this payment option.

(Thakur, 2025) The findings indicate that EMI usage is particularly prevalent in the purchase of high-value products such as electronic gadgets and home appliances. While EMI schemes enhance affordability and provide greater payment convenience, they may also contribute to household debt and financial difficulties for some consumers. The study highlights both the advantages and potential risks associated with EMI as a payment method. Balaji and Rajini (2024)

Theoretical Background:

Online Shopping

Online shopping refers to the purchase of goods and services through internet-based platforms. It enables consumers to search, compare, select and purchase products conveniently without visiting a physical store. The availability of diverse payment methods has become an important feature of online shopping.

Equated Monthly Instalments

Equated Monthly Instalment is a fixed amount paid by a customer at regular intervals towards the repayment of a purchase or loan. In online shopping, EMI allows customers to spread the cost of a product over a predetermined period. The EMI amount generally depends on the purchase amount, interest rate and repayment tenure. It is particularly attractive for high-value purchases where customers prefer smaller periodic payments rather than a large one-time payment.

Customer Perception towards EMI

Customer perception refers to the opinion or evaluation formed by customers regarding a product, service or facility. In the case of EMI, customers may perceive it positively because of its affordability, convenience and repayment flexibility. At the same time, concerns regarding interest, additional charges, financial commitment and repayment difficulties may create negative perceptions. Hence, understanding these positive and negative perceptions is essential for evaluating customers' acceptance of EMI. Mukund and Tripathi (2024)

Objectives:

i. To analyze the awareness about Equated Monthly Instalments (EMI) as a method of payment in online shopping among customers.
ii. To assess the preference of customers towards Equated Monthly Instalments (EMI).
iii. To find out the problems faced by the customers' in using Equated Monthly Instalments (EMI).

Methodology:

The sample size taken for this study is 50. The sampling design adopted for the study is Convenience sampling. Questionnaire was prepared to obtain the required primary data. The data collected through questionnaire was transferred to a master table from which various tables were prepared from further analysis. The secondary data was collected from the internet.

Framework of analysis:

To analyse the primary data, the researcher has used the following tools:

- Percentage analysis
- Chi-Square test
- Garrett's Ranking

Hypothesis:

- There is no significant relationship between the occupation of the respondents and their preference towards Equated Monthly Instalments (EMI).

Limitations of the study:

- The study was restricted only to the respondents in Madurai city.
- The sample size is 50, it does not represent the whole population in the city.

Findings:

➢ **Results of Percentage Analysis:**

Table 1: Demographic Characteristics of Sample Respondents

DEMOGRAPHICS	NO. OF RESPONDENTS (N = 50)	% OF RESPONDENTS
A. Gender:		
Male	32	64
Female	18	36
B. Age:		
Below 25 years	27	54
25 years – 50 years	18	36
50 years – 75 years	4	8
Above 75 years	1	2
C. Educational Qualification:		
HSC	6	12
UG	29	58
PG	10	20
Professional course	5	10
D. Occupation		
Student	12	24
Homemakers	4	8
Agriculturist	3	6
Self-Employed	19	38

Professional	12	24
E. Family's monthly income:		
Below ₹25,000	7	14
₹25,000 - ₹50,000	26	52
₹50,000 - ₹75,000	12	24
₹75,000 - ₹1,00,000	3	6
Above ₹1,00,000	2	4

Table 1 shows the demographic characteristics of the sample respondents. 64% of the respondents are male; 54% of them are Below 25 years of age; A majority of 58% of the respondents have completed Under graduate courses; 38% of the respondents are Self-Employed and 52% of them are between the ₹25,000 - ₹50,000 income category.

Table 2: Awareness and Consumer behaviour towards Equated Monthly Instalments (EMI)

PARTICULARS	NO. OF RESPONDENTS	% OF RESPONDENTS
A. Source of Awareness:		
Word-of-mouth	34	68
Shopping Websites / Apps	8	16
Advertisements	6	12
Others	2	4
B. Category of Products purchased using Equated Monthly Instalments (EMI) through online shopping:		
Electronic Gadgets	22	44
Home Appliances	12	24
Furniture	9	18
Personal & Beauty Products	1	2
Automobiles & Accessories	5	10
Others	1	2
C. Maximum amount spent through Equated Monthly Instalments (EMI) in online shopping per year:		
Below ₹20,000	8	16
₹20,000 - ₹40,000	24	48
₹40,000 - ₹60,000	15	30
Above ₹60,000	3	6

D. Duration of usage:		
Less than 1 year	7	14
1 to 5 years	37	74
More than 5 years	6	12
E. Problems faced:		
Unnecessary purchases	14	28
Temptation to overspend	14	28
Effect on credit score	17	34
Transaction Failures	3	6
Others	2	4

Table 2 interprets the awareness and consumer behaviour of the sample respondents towards Equated Monthly Instalments (EMI) in online shopping. A majority of 68% of the respondents have come to know about the Equated Monthly Instalments (EMI) through Word-of-mouth; 44% of the respondents use Equated Monthly Instalments (EMI) in shopping Electronic Gadgets; 48% have spent between ₹20,000 - ₹40,000, through Equated Monthly Instalments (EMI) every year; 74% of the respondents have been using Equated Monthly Instalments (EMI) from 1 to 5 years; 34% of the respondents opine that Equated Monthly Instalments (EMI) creates a negative effect on the credit score.

➢ **Results of Chi-Square test**

Hyp: There is no significant relationship between the family's monthly income of the respondents and the amount spent through Equated Monthly Instalments (EMI) in online shopping.

Table 3: Chi-Square Tests (Family's monthly income & amount spent through Equated Monthly Instalments (EMI) in online shopping)

Calculated value	Degrees of freedom	Table value at 5% significance level
32.65	12	21.026

Since the Table value is greater than the Calculated value of Chi-Square, the null hypothesis is rejected. Hence there is significant relationship between the family's monthly income of the respondents and the amount spent through Equated Monthly Instalments (EMI) in online shopping.

➢ **Results of Garrett's Ranking**

Table 4: Factors considered before choosing Equated Monthly Instalments (EMI) in online shopping

Factors	**Mean Scores**	**Rank**
Affordability of monthly instalment	64.82	I
Interest rate	47.93	V
Availability of No-Cost EMI	61.12	II

Repayment tenure	51.66	IV
Processing fees and additional charges	39.36	VII
Convenience and flexibility of payment	57.48	III
Discounts and promotional offers	43.29	VI
Impact on credit score	32.44	VIII

The factors considered by the customers before choosing Equated Monthly Instalments (EMI) in online shopping were ranked using Garrett's Ranking. The Factor, "Affordability of monthly instalment" was ranked first and the last rank was given to the factor "Impact on credit score".

Suggestions:

➢ E-commerce platforms, banks and financial institutions should provide clear information about interest rates, processing charges, repayment tenure, late-payment penalties and the possible impact of EMI on credit scores. This can help consumers make informed decisions before opting for EMI facilities.

➢ Since a significant relationship exists between family monthly income and the amount spent through EMI, consumers should choose EMI plans according to their income and repayment capacity. Online shopping platforms and financial institutions may provide suitable EMI limits and repayment options to reduce the risk of excessive borrowing and financial burden.

➢ As "Affordability of monthly instalment" was ranked first, e-commerce platforms should offer flexible repayment tenures and genuine No-Cost EMI options with transparent terms and conditions. At the same time, consumers should be encouraged to compare EMI costs, additional charges and benefits before making high-value purchases.

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