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A Study on Cashback Offers on Online Purchasing Behaviour

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Abstract

The rapid growth of e-commerce has significantly transformed consumer purchasing behaviour, with promotional strategies such as cashback offers playing a crucial role in influencing online buying decisions. This study examines the impact of cashback offers on online purchasing behaviour, focusing on consumer awareness, perception, and responsiveness to such incentives. The research aims to analyse whether cashback offers encourage increased purchase frequency, higher spending, brand switching, and impulse buying compared to other promotional tools like discounts and coupons. Primary data were collected through a structured questionnaire administered to online shoppers, and the responses were analysed using descriptive and statistical techniques. The findings indicate that cashback offers positively influence online purchasing behaviour by enhancing perceived value, reducing price sensitivity, and increasing customer engagement with online platforms. Consumers tend to view cashback offers as more attractive when they are easy to redeem and offered through trusted payment platforms. However, delayed or complex redemption processes may reduce their effectiveness. The study concludes that cashback offers are an effective promotional strategy for e-commerce companies to attract and retain customers, and it suggests that transparent and user-friendly cashback policies can further strengthen consumer trust and purchasing intent. The research seeks to analyse whether cashback offers strongly stimulate higher purchase frequency, increased spending, brand switching, and impulsive buying when compared to traditional promotional methods such as discounts and coupons. Primary data were collected through a structured questionnaire administered to online shoppers, and the responses were rigorously analysed using descriptive and statistical techniques

Keywords: *Cashback Offers, Online Purchasing Behaviour, Consumer Perception, E-commerce Promotions, Buying Decision, Price Sensitivity, Digital Payments, Consumer Incentives.*

Introduction

Online shopping has become a common part of everyday life because it is easy, fast, and convenient. People can buy products anytime and anywhere using mobile phones or computers. Due to strong competition among online shopping websites, companies use different promotional offers to attract customers. One such popular promotional tool is cashback offers. Cashback means that a part of the money spent on a purchase is returned to the customer after the transaction is completed. Cashback offers encourage customers to shop more online because they feel they are saving money. Unlike direct discounts, cashback creates excitement and motivates customers to buy again in the future. They usually trigger impulse purchases, boost the frequency of purchases, and increase customer loyalty to particular platforms. This research will examine the effects of cashback on e-commerce buying. It aims at determining the effect of cashback incentives on consumer decision-making, consumer spending, brand preference and the level of satisfaction.

1. Background of the study

The introduction of the internet and the high rate of digitalization has transformed the world retail sector. Online shopping has been enjoying exponential growth in the last decade because of the growth in the use of smartphones, the low cost of accessing the internet, safe digital payment systems, and better logistics services. The customers are moving to online stores due to convenience, a large selection of products, low costs, and door delivery service.

Due to the high level of competition in the e-commerce industry, businesses are continually devising new forms of marketing so that they can capture more customers and maintain the existing ones.

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The cashback programs reimburse customers with a percentage of their purchase value either immediately or after a given time. Such rewards are typically attractive in online shops, cards, electronic wallets, and electronic transactions. The principle of cashback is based on consumer psychology.

2. **Growth of the E-Commerce Industry**
Over the past decade, the e-commerce sector has developed at a very high rate. What used to be a mere means of purchasing a few items online has transformed into a colossal worldwide commercial area. Nowadays, individuals can buy anything and anything online, including clothing, electronics, groceries, medicines, furniture and even services such as food delivery and hotel bookings. The availability of cheap data prices and easy access to mobile phones has enabled more people to shop online anytime and anywhere. The technology has also been enhanced, and online shopping websites and apps are now more convenient, safe, and fast.
3. **Digital Transformation and Consumer Lifestyle Changes**
Digital transformation and consumer lifestyle changes refer to how technology has changed the way people shop, communicate, and make decisions.

- **Shift from traditional shopping to digital platforms:**
Earlier, people visited physical stores to purchase goods. Today, many consumers prefer online shopping through websites and mobile apps.
- **Changing consumer expectations:**
Modern consumers expect fast services, easy returns, quick delivery, and attractive offers.

4. **Economic Perspective of Cashback Offers**
Economically, cashback is a price reduction tool since it is a good way of reducing the ultimate price of a product. Although customers pay the entire cost initially, the money refunded to them brings down the actual cost paid. The consumers also experience an increased spending power due to cashback since they are refunded with some money that they can reuse in other purchases. It is also able to affect the household budgeting decisions.
5. **Behavioural Economics Behind Cashback**
Concept of Perceived Gain:
Perceived gain means the feeling that a person has earned or gained something, even if the actual benefit is small. In cashback offers, customers feel like they are getting money back, which creates a sense of profit.

- **Mental Accounting Theory:**
Mental accounting is a concept where people divide their money into different "mental accounts" in their mind, such as salary, savings, shopping money, or rewards.
- **Loss Aversion Principle:**
Loss aversion means people fear losing something more than they enjoy gaining something. In cashback offers, customers feel they might lose a benefit if they do not use the offer.
- **Role of Technology in Online Shopping**
Modern-day shopping has changed entirely due to technology. It is through smartphones, high-speed internet and secure payment systems that online shopping is achievable. Now, all customers can purchase anything they desire anywhere in the world, without leaving their homes and just a few taps of the phone or a few clicks on a computer. Browning products are quick and simple with a high-speed internet connection and sophisticated applications. Technology also enables websites and apps to provide personal experiences to every client.

Research Methodology
Objectives of The Study:

1. To study the impact of cashback offers on the online purchasing behaviour of consumers.
2. To understand consumer awareness and perception towards cashback offers in online shopping.
3. To examine whether cashback offers influence purchase frequency and spending amount.
4. To analyse the role of cashback offers in encouraging impulse buying and repeat purchases.

Hypothesis of The Study:
H_0: Cashback offers have no significant impact on the online purchasing behaviour of consumers.
H_1: Cashback offers have a significant impact on the online purchasing behaviour of consumers.
Scope of The Study:
The scope of this study is limited to understanding the impact of cashback offers on the online purchasing behaviour of consumers. The study focuses on consumers who frequently engage in online shopping through e-commerce websites and mobile applications. It examines how cashback offers influence purchase decisions, spending patterns, impulse buying, and repeat purchases. The study examines aspects such as consumer awareness, perception, and preference for cashback offers in comparison to other promotional tools, including discounts and coupons.

- **Sampling:**

a. Sampling Method: Random sampling method
b. Sampling Size: 100 samples

- **Significance of the Study:**

This study highlights how such offers impact buying frequency, spending patterns, and brand loyalty. The research is significant for businesses and marketers as it provides insights into consumer preferences and expectations. By understanding how customers respond to cashback schemes, companies can design more effective promotional strategies, improve customer satisfaction, and increase sales performance. It also helps firms avoid complicated cashback policies that may lead to customer dissatisfaction.

- **Research Design**

The research design for the study "A Study on Cashback Offers on Online Purchasing Behaviour" is descriptive in nature. A descriptive research design is used to understand and describe the characteristics of consumers and their behaviour toward cashback offers in online shopping. The study aims to examine how cashback schemes influence purchasing decisions, buying frequency, and customer satisfaction.

- **Statement of Problem**

With the rapid growth of online shopping and digital payment systems, cashback offers have become one of the most widely used promotional strategies by e-commerce companies such as Amazon and Flipkart, as well as digital payment platforms like Paytm and PhonePe. These offers are designed to attract customers, increase sales, and promote digital transactions. However, there is limited understanding of how cashback schemes actually influence consumer purchasing behaviour. Many consumers are attracted to cashback offers, but it is not clearly known whether these incentives lead to genuine savings or encourage impulsive and unnecessary spending. The study seeks to identify whether cashback schemes affect buying frequency, spending patterns, brand loyalty, and overall customer satisfaction.

- **Methodso Data Collection:**

1. Primary Data Collection

Primary data for the study were collected directly from consumers to understand their online purchasing behaviour in relation to cashback offers. A structured questionnaire was used as the primary data collection tool.

2. Secondary Data Collection

Secondary data were collected to support and strengthen the study by providing a theoretical and conceptual background. These data were gathered from books, research papers, newspapers, websites, and published articles related to online shopping behaviour, cashback offers, and digital marketing strategies.

Data Analysis:

Data Analysis Tools

The data collected through the structured questionnaire were analysed using simple statistical tools to interpret consumer responses effectively. The main tools used for data analysis include percentage, Tabulation, and Average

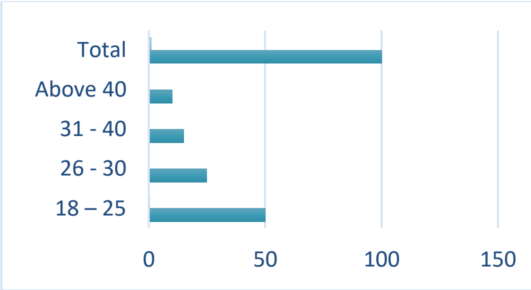
Literature Review

1. **Sunil Gupta and Donald R. Lehmann (2005)** highlighted that customer lifetime value increases when companies implement effective retention strategies such as rewards and cashback programs. They noted that repeat purchases are more profitable than acquiring new customers.
2. **George E. Belch and Michael A. Belch (2009)** stated that sales promotion techniques, including rebates and cashback, stimulate immediate consumer response and increase trial purchases, especially in competitive markets.
3. **Kotler and Keller (2016)** emphasised that sales promotions such as discounts, coupons, and cashback offers play a crucial role in shaping short-term consumer behaviour by encouraging immediate purchases and trial of new products.
4. **Gupta and Kim (2018)** studied online shopping behaviour and found that monetary incentives significantly influence consumers' purchase decisions. Their research revealed that cashback offers are highly effective among price-sensitive consumers, as they reduce perceived financial risk and encourage higher spending.
5. **Verma and Singh (2020)** found that cashback offers have a strong impact on impulse buying behaviour in online shopping. The authors concluded that limited-time cashback offers create urgency and excitement, leading consumers to make unplanned purchases.
6. **Sharma and Aggarwal (2021)** examined the influence of digital payment platforms on online purchasing behaviour and found that cashback offers linked with digital wallets significantly increase transaction frequency.
7. **Rao (2022)** compared cashback offers with traditional discounts and concluded that cashback offers are often perceived as more attractive, especially when consumers plan future purchases using the cashback amount.
8. **Kumar and Rekha (2023)** analysed consumer perception of promotional offers in e-commerce and concluded that cashback offers strongly influence purchase decisions, especially among young and middle-income consumers.

Data Interpretation

- **Age-Based Analysis**

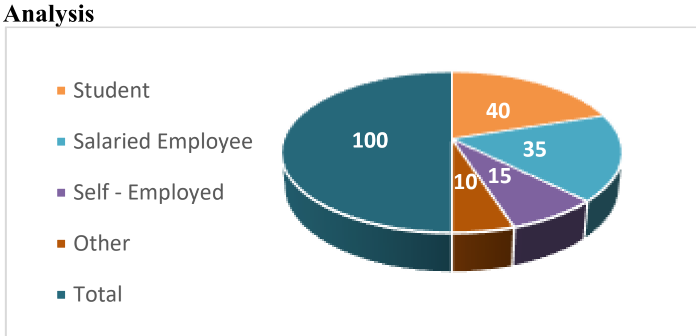
Particulars	No of Respondents	Percentage
18 – 25	50	50 %
26 - 30	25	25 %
31 - 40	15	15 %
Above 40	10	10 %
Total	**100**	**100 %**



Source: Primary Data

Interpretation: The majority of respondents (50%) are 18–25 years, showing that young adults are most influenced by cashback offers. Engagement decreases with age: 26–30 years (25%), 31–40 years (15%), and above 40 years (10%).

- **Occupation-Based Analysis**



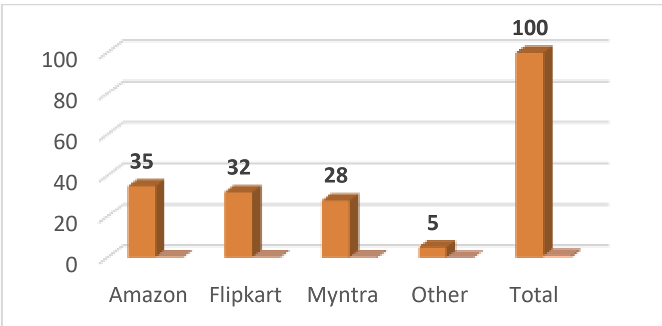
Particulars	No of Respondents	Percentage
Student	40	40%
Salaried Employee	35	35%
Self - Employed	15	15%
Other	10	10%
Total	**100**	**100%**

Source: Primary Data

Interpretation: Students form the largest group (40%), followed by salaried employees (35%). Self-employed and other occupations together make up the remaining 25% of respondents.

4.3 Which platforms do you use most for online shopping?

Particulars	No of Respondents	Percentage
Amazon	35	35 %
Flipkart	32	32 %
Myntra	28	28 %
Other	5	5 %
Total	**100**	**100 %**

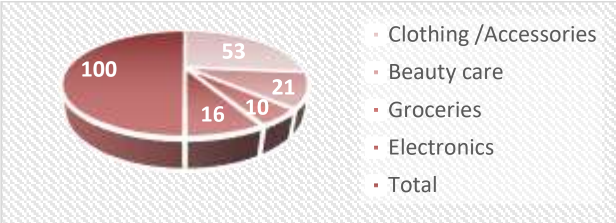


Source: Primary Data

Interpretation: The chart shows that Amazon is the most used platform with 35 respondents, followed closely by Flipkart (32) and Myntra (28). Only a small proportion of respondents (5) use other platforms, indicating a strong preference for major e-commerce websites among users.

- **What types of products do you usually purchase online?**

Particulars	No of Respondents	Percentage
Clothing /Accessories	53	53 %
Beauty care	21	21%
Groceries	10	10%
Electronics	16	16%
Total	**100**	**100%**

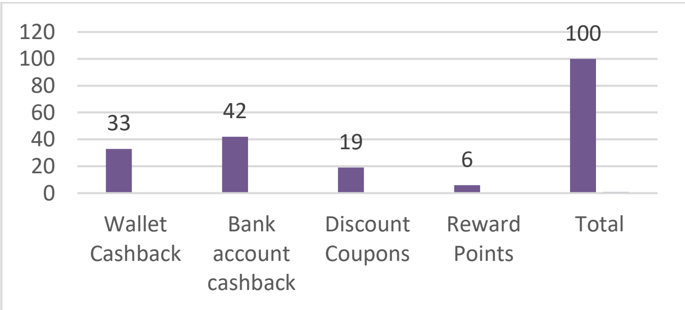


Source: Primary Data

Interpretation: The data shows that clothing and accessories are the most purchased products online (53%). Beauty care products follow with 21%, while electronics (16%) and groceries (10%) have comparatively lower online purchase preference.

- **Which form of cashback do you prefer?**

Particulars	No of Respondents	Percentage
Wallet Cashback	33	33 %
Bank account cashback	42	42 %
Discount Coupons	19	19 %
Reward Points	6	6 %
Total	**100**	**100 %**

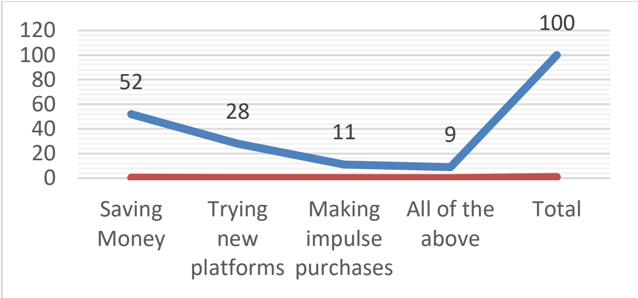


Source: Primary Data

Interpretation: Bank account cashback is the most preferred benefit (42%), followed by wallet cashback (33%). Discount coupons (19%) and reward points (6%) are less preferred among respondents.

- **Cashback offers are mainly useful for**

Particulars	No of Respondents	Percentage
Saving Money	52	52 %
Trying new platforms	28	28 %
Making impulse purchases	11	11 %
All of the above	9	9 %
Total	**100**	**100 %**



Source: Primary Data

Interpretation: Most respondents feel cashback mainly helps in saving money (52%). It also encourages trying new platforms (28%), while fewer respondents report impulse purchases (11%).

Hypothesis Testing:

H_0: Cashback offers are **not more effective** than discounts in influencing consumers' online purchasing behaviour.

H_1: Cashback offers are **more effective** than discounts in influencing consumers' online purchasing behaviour.

	Variable 1	***Variable 2***
Mean	6.5	35.5
Variance	20.33333333	581.6666667
Observations	4	4
Pearson Correlation	0.996140799	
Hypothesized Mean Difference	0	
df	3	
t Stat	2.954674907	
P(T<=t) one-tail	0.029899671	
t Critical one-tail	2.353363435	
P(T<=t) two-tail	0.059799342	
t Critical two-tail	3.182446305	

Source: Primary Data

Interpretation: The results show a strong positive correlation between the two variables (r = 0.996). Since the one-tailed p-value (0.029) is less than 0.05, the null hypothesis is rejected, indicating a statistically significant difference between the variables.

Anova Testing

Count of how often do you use cashback offers while shopping online?			Column Labels		
Row Labels	**Agree**	**Strongly Agree**	**Disagree**	**Neutral**	**Grand Total**
18-25	23	2	3	16	44
26-30	18	1	4	9	32
31-40	4	2	4	6	16
Above 40	2	2	2	2	8
Total	47	7	13	33	100

SUMMARY				
Groups	*Count*	*Sum*	*Average*	*Variance*
Agree	5	94	18.8	328.7
Strongly Agree	5	14	2.8	5.7
Disagree	5	26	5.2	19.7
Neutral	5	66	13.2	148.7
Grand Total	**5**	**200**	**40**	**1320**

Anova

Source of Variation	*SS*	*df*	*MS*	*F*	*P-value*	*F crit*
Between Groups	4412.8	4	1103.2	3.026114	0.041995	2.866081
Within Groups	7291.2	20	364.56			
Total	**11704**	**24**				

Source: Primary Data

Interpretation: Since the p-value (0.042) < 0.05 and F > F-crit, the null hypothesis is rejected. This shows a significant difference among the groups' responses.

Recommendations

- Ensure cashback offers are simple, clear, and easy to understand.
- Avoid hidden terms and complicated conditions.
- Credit cashback amounts quickly to maintain customer trust.
- Offer personalised cashback deals based on customer preferences.
- Keep minimum purchase limits reasonable and affordable.
- Use cashback offers to reward loyal customers regularly.
- Promote cashback during festive seasons and special sales.
- Provide clear notifications about cashback status and expiry dates.

Conclusion

The study concludes that cashback offers have a significant influence on online purchasing behaviour. Most respondents perceive cashback as an effective promotional tool, especially for saving money, and it strongly motivates platform choice and purchase decisions. The findings also show that cashback offers are often preferred over discounts, encouraging consumers to try new platforms and make repeat purchases.

Overall, cashback offers have emerged as a powerful marketing strategy in online retail. E-commerce platforms can leverage well-designed cashback programs to attract new customers, retain existing ones, and gain a competitive advantage in the increasingly crowded digital marketplace.

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Conflicts of interest

The authors declare that there are no conflicts of interest regarding the publication of this paper

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