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INVESTIGATING THE PREFERRED METHODS OF PAYMENT FOR ONLINE SHOPPING BY SAUDI CUSTOMERS

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ABSTRACT

Online shopping is the most preferred method of shopping in today's world for convenience and cost effective. People prefer online shopping because of the comfort that they get at their homes. People are able to sit at their homes or even at their workplaces and can shop online. Saudi consumers use various payments methods for online payments. This research focuses on the preferred payment methods used by Saudian when making online purchase. The aim of this research is to find the relationship between customers' awareness of payments method & payments for shopping online and to find what type payments methods are preferred for online shopping. This research is important as it helps to understand Saudi customers preferred payments methods while shopping online. In this research a quantitative approach has been used. The target population was the online customer based in Jeddah. Survey questionnaires were distributed among 100+ participants using WhatsApp to be filled in Google form. The findings of this research show that, the most preferred payments of methods amongst the Saudi population when shopping online is Cash on Delivery (COD) methods followed by the Credit Card methods. The research could help the online stores to better design their products and make changes to their payments system and also could help the regulatory authority to regulate the online marketing.

INTRODUCTION

In today's world, as the e-commerce websites are gaining popularity in the digital world, so are the e-commerce transactions. There are various methods through the online shopping experience has been made easier for the

consumers. Consumers today prefer to shop online while staying at the comfort of their homes. This rapid development of the e-commerce methods has led to the emerging payment options that can be used while shopping online. These payment service providers can be divided into two main categories namely Banks and Acquirers as well as Non-bank intermediaries providing some innovative solutions. According to Kisiel [1], initially the banks were not interested in the e-commerce websites and the e-commerce transactions as they observed that these payment methods are not of any great value to them as people are not engaging much in the online transactions. Moreover, in the past years, it was also observed that the traditional bank and the payment methods through the card were a sign of inconvenience to the customers shopping online. One of the reasons supporting this claim is also that, these online transactions did not guarantee security to the parties present on both the side of sending and receiving transactions [2].

Over the course of time, the e-commerce sector offered its consumers the Cash on Delivery method which also had lacked security. However, as the importance given to the e-commerce sector was increasing over the recent years, the banks have decided to offer the online payment services that provided online and low-amount transactions. This initiative led by the banks had increased the competition towards this segment of the retail payments market. Many customers' over the years, appreciated the payments service offered by the banks and in most of the situations the cost of the service is often low for the consumers. Customers eventually discovered that the payment methods offered by Non-bank institutions are more flexible for example, COD. The payments methods like these facilitate easy and effective transactions when staying across the border which is greatly appreciated by many people in the era of Globalization [3].

According to the website Go-Gulf [4], E-commerce sector in Saudi Arabia is increasing rapidly. The statistics indicate that, it reached 10,864 million USD in 2020 from 5,894 Million USD in 2015. This can be explained with the help of examples. For example, e-commerce revenue generated during 2015 in the category of Clothes and Shoes was 1,591 Million USD and is expected to rise to 3,209 Million USD by 2020. Similarly, e-commerce revenue generated during 2015 in the category of consumer electronics was 1,805.5 Million USD and is expected to rise to 2,998.9 Million USD by 2020. Lastly, e-commerce revenue generated during 2015 in the category of furniture and home appliance was 669.9 Million USD and is expected to rise to 1,477.5 Million USD by 2020.

In Saudi Arabia, there is a great exposure towards the internet facilities and a good purchasing power however, still e-shopping methods are still not available as the part of the trend amongst the Saudi Arabian consumers. According to Al-Salamin [5], approximately 62% of the country's population has not even shopped online. According to Alden, Jan-Benedict and Rajeev [6], the growth of Internet technology in the Kingdom of Saudi Arabia has broad prospects because it reduces the prices of goods and amenities and expands the geographic scope of the market. The advent of technology and the Internet not only enabled people to make virtual purchases, but also improved the economy and promoted global trade.

Due to the higher requirement of the shopping in Saudi Arabia, the retailers are now taking initiative towards enhancing the quality of the online shopping experience for the consumers. However, the consumers in Saudi Arabia are still lacking the confidence of making the online payments. According to the Euro monitor report in 2012, after the growth of the Internet, e shopping is increasing rapidly in the Saudi Arabia, and is now at 60% of the customers using it, due to reason many online retailers trying to regain the excellence of the virtual marketing involvement for the shopper [7].

The research conducted by Alam and Elaasi [8], aimed at giving an in-depth knowledge concerning the consumer perception on the e-shopping and the payment methods used. In order to fulfill the research objectives a quantitative approach was adopted in which 128 respondents of Saudi Arabia were targeted and surveyed for a period of three months during the year 2015. The data collection survey involved a set of close ended questions. The findings of this study displayed that, 73% of the research respondents regarded the online shopping as easy, 44% of the research respondents used the credit card as the preferred payment method and lastly, 40% of the research respondents preferred buying a commodity online through laptop. It was also found that, the quality of the product was a greater worrying factor amongst the Saudi population.

Therefore, this research will focus on determine the preferred payment method online by the Saudi Consumers. The comparison will be done in between three payment methods that are, Cash on Delivery, Credit card and Debit card.

METHODOLOGY

Methodology is an important part of the research. A methodology in a research allows the researchers to formulate strategies and plans in order to reach to their research results [9]. Methodology in a research offers various data collection methods which can not only help the author of the research but can also help the readers of the research to understand the underlying reasons for obtaining the research results. This methodology aims at presenting the research strategy, research method, research approach, data collection method, the selection of sample, the research process, the data analysis, ethical considerations and lastly, the research limitations of the project.

Research Strategy

This research aims at solving an existing problem in the real world by asking research questions. This research is not a new subject regarding the payment methods that exist in the finance industry. This research will add to the sea of knowledge of the existing research about the types of payment preferred by the consumers. This research is specific towards Saudi Arabia.

Research Method

There are mainly two important types of research methods namely qualitative and the quantitative research methods. In this methodology a quantitative approach is adopted.

Quantitative research

The quantitative research is usually linked with the use of numbers and the other numerical data. Some examples of the quantitative research involve surveys, experiments, interviews, questionnaire etc. [10].

Research Approach

The research approach adopted for this research is inductive in nature. The inductive research approach allows the researcher to begin with a specific observation about the real-world problem and then to formulate methods in order to provide solutions for that problem. In the Inductive approach, the researcher starts off by focusing on the general topic of interest followed by the observation of patterns and then the researcher is able to generalize the level of focus by developing a theory [11].

Data Collection Methods and Tools

In order to fulfill the research aims a quantitative method is adopted through this research, in which the surveys are carried. The survey questionnaire comprises of 14 research questions, 5 demographic profile and 9 financial awareness and consumer payment methods. These research questions are close ended in nature as the close ended research questions can provide some precise research results. The survey questions are well structured whose aim is to identify the individual's emotions, feelings and opinions regarding their preferred methods of payment when they shop online.

Sample Selection

The sampling method used to accomplish this research is the simple random sampling method where the research participants are selected. The simple random sampling method allows the selection of the research participants that are easy to reach such as the people standing in a mall [12]. Since mall is a great place to catch customers such as Mall of Arabia and Red Sea mall. The population of interest is targeted from these malls.

Research Process

This research is carried out in the year 2019. The interviews had been conducted during the months November and December. Numerous visits to the malls had been made in order to select the research. There were people who did not wanted to participate in the interviews plus there were people who were willing to take part in this research. The surveys took approximately 10 to 15 minutes. Furthermore, the surveys were also sent electronically through the WhatsApp groups and social media. The aim of the survey was to collect 100+ responses.

Data Analysis

The data gathered from the personal and digital survey will be analyzed on the basis on the content. The various answers obtained from the research participants will be categorized under the themes of the result. The data will be simplified and presented in every theme. The analyzed data will be presented in the form of percentages in graphs and pie charts.

Ethical Consideration

Before conducting the survey, the research participants were informed about the nature of the research along with the aims and objectives of this research. The research participants were also informed how this research could be beneficial, for them and the society. The research participants were provided with the consent form that ensures their approval for the survey. The research participants were ensured that their private data would not be leaked.

RESULT AND DISCUSSION

The result and discussion sections will divide into three sections namely demographic data analysis, financial awareness and consumer payment methods.

Respondent's Demographic Data

There are 123 participants involved in the questionnaire survey and the demographic data of the participants were tabulated in Table 1. Based on Table 1, about 82% of the research participants were female who the majority population of the research. Only 17% of the research respondents were male. Majority of the research population about 82% belonged to the age group of 20-30 years while the minority about 8% of the research respondent belonged to the age group of 51-60 years. Next, about 70% of the research respondents achieved the bachelor's as the highest level of education and 21% of the research respondents achieved the high school certification the highest level of educations.

Besides that, about 56% of the research respondents have said that they are currently unemployed, 33% of the research respondents have said that they work with a company and 9% of the research respondents have said that they own a business. In term of working area, about 11% of the research respondents have said that they work in the government sector, 28% of the research respondents have said that they work in education sector and 12% of the research respondents have said that they work in banking and financial sector.

Table 1: Demographic Data Analysis

Categories	Criteria	Quantity (n)	Percentage (%)
Gender	Male	21	17.07
	Female	102	82.93
Age	20-30	101	82.11
	31- 40	7	5.69
	41-50	5	4.07
	51-60	10	8.13
Highest Education	High school	26	21.14
	Bachelor's degree	87	70.73
	Masters	6	4.88
	PhD	4	3.25
Occupation	Work with a Company	41	33.33

	Own a Business	12	9.76
	Unemployed	70	56.91
Work area	Telecom	6	4.88
	Pure IT	2	1.63
	Banking and Financial Services	15	12.20
	Medical	12	9.76
	Education	35	28.46
	Government	14	11.38
	Others	39	31.71

Financial Awareness

This section gathers the feedback from research respondents on the use of debit cards, credit cards and COD awareness as well as the awareness of cashless payment.

Level of Awareness

Figure 1 illustrates the feedback from study respondents on the use of debit cards, credit cards and COD awareness. For Debit Card (MADA), about 30% and 21% of the research respondents were aware and somewhat aware of the Debit Card (MADA) respectively. About 16% of the research respondents were neutral towards the Debit Card (MADA). There are 13% and 17% of the research respondents were lack of awareness and unaware of the Debit Card (MADA) respectively.

For Credit Card (VISA and Master), about 27% and 24% of the research respondents were aware and somewhat aware of the Credit Card (VISA and Master) respectively. About 22% of the research respondents were neutral towards the Credit Card (VISA and Master). There are 13% and 11% of the research respondents were lack of awareness and unaware of the Credit Card (VISA and Master) respectively.

For COD (Cash on Delivery), about 34% and 19% of the research respondents were aware and somewhat aware of the COD (Cash on Delivery) respectively. About 15% of the research respondents were neutral towards the COD (Cash on Delivery). There are 13% and 17% of the research respondents were lack of awareness and unaware of the COD (Cash on Delivery) respectively.

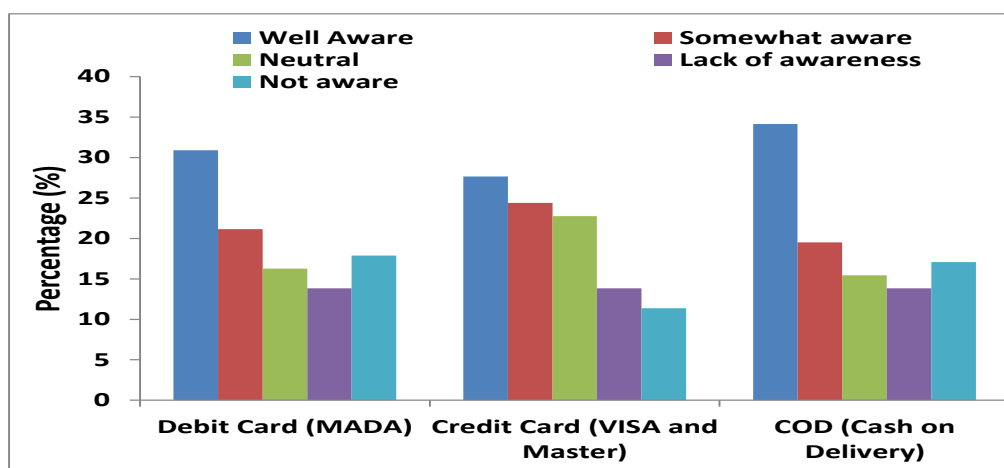


Figure 1: Level of Awareness

Level of Agreement/Disagreement

Figure 2 illustrates the feedback of study respondents on their awareness of cashless payment. Majority about 30% of the research respondents were neutral that in few years. There are 13% and 20% of the research respondents strongly disagree and disagree respectively that people will hardly use cash to make a purchase in coming few years. Also, there are 22% and 13% of the research respondents agree and strongly agree respectively that people will hardly use cash to make a purchase in coming few years.

Majority about 27% of the research respondents were neutral that the credit cards and debit cards are the most preferred payment methods and followed by 26% and 22% of the research respondents who were strongly agree and agree respectively. Besides that, there are 5% and 17% of the research respondents disagree and strongly disagree that credit cards and debit cards are the most preferred payment methods respectively.

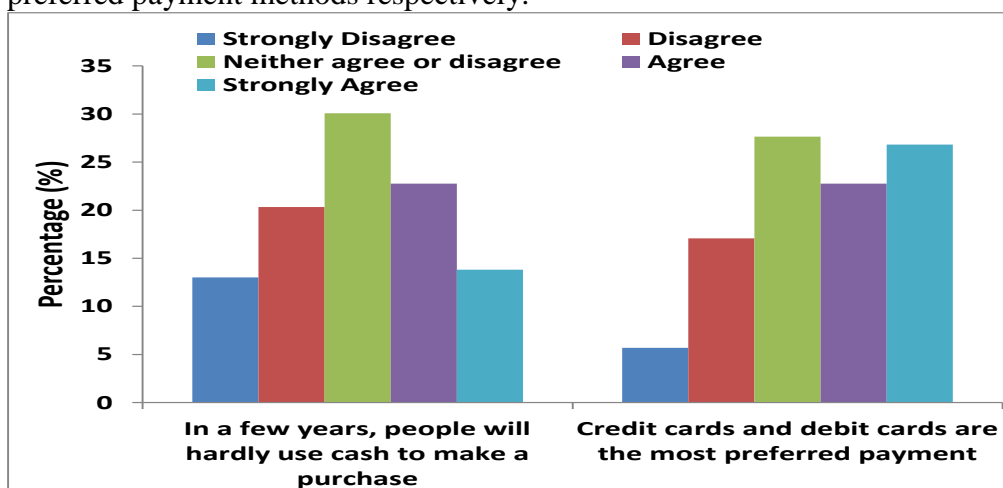


Figure 2: Level of Agreement/Disagreement

Consumer Payment Methods

Figure 3 shows how often participants buy products online. Majority of 44% of the research respondents have said that they sometime purchase products online, 29% of the research respondents have said that they most of the time purchase products online and 23 of the research respondents have said that they frequently purchase products online. While, there are also 2% of the research respondents never shopping online.

Figure 4 illustrates the payment methods used by the respondents when buying products online. There is 22% of the research participants said that, when they buy a product online, they use the Debit Card Payment method. Majority of 49% of the research participants said that, when they buy a product online, they use the Credit Card Payment method, 10% of the research participants said that, when they buy a product online they use the PayPal Payment method and 16% of the research participants said that, when they buy a product online they use the COD method. Participants also used the Google Checkout payment method, which accounts for only 1.6%.

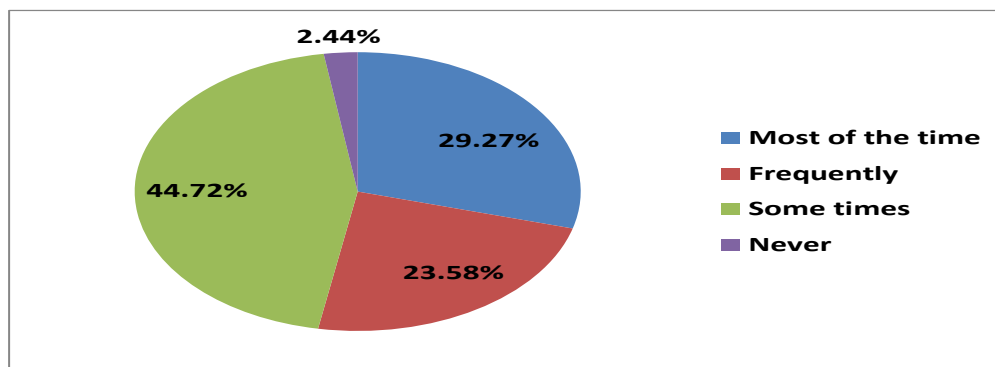


Figure 3: Buying Products Online

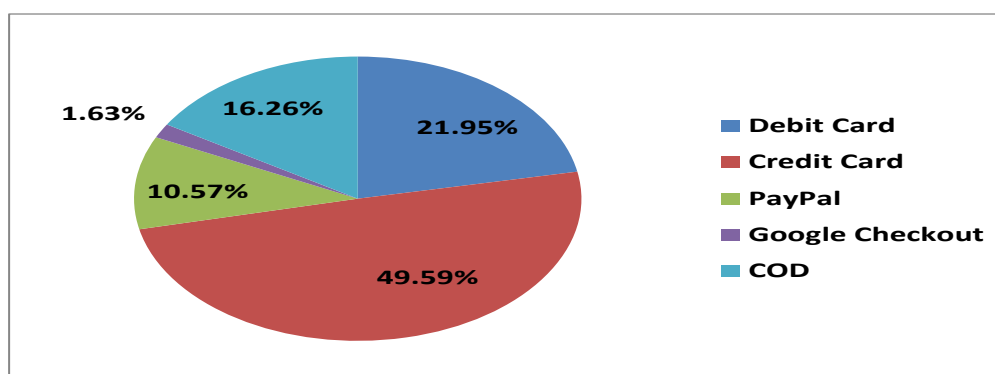


Figure 4: Payment methods used when buying products online

The preferred methods of payment by respondents used for online purchases are revealed in Figure 5. Majority about 39% of the research respondents have said that, they tend to prefer the COD method when they make the online purchases, 18% of the research respondents have said that, they tend to prefer the Debit Card method when they make the online purchases, 31% of the research respondents have said that, they tend to prefer the Credit Card method when they make the online purchases and only 10% of the research respondents have said that they tend to prefer the Mobile App method when they make the online purchases.

Figure 6 depicts the payment method used by respondents when trying to avoid online purchasing. There are 25% of the research respondents have said that, in order to avoid unnecessary purchases while shopping online they prefer to use Credit Card, another 25% of the research respondents have said that, in order to avoid unnecessary purchases while shopping online they prefer to use Mobile Payment Methods. Majority about 33% of the research respondents have said that, in order to avoid unnecessary purchases while shopping online they prefer to use COD and only 16% of the research respondents have said that, in order to avoid unnecessary purchases while shopping online they prefer to use Debit Card.

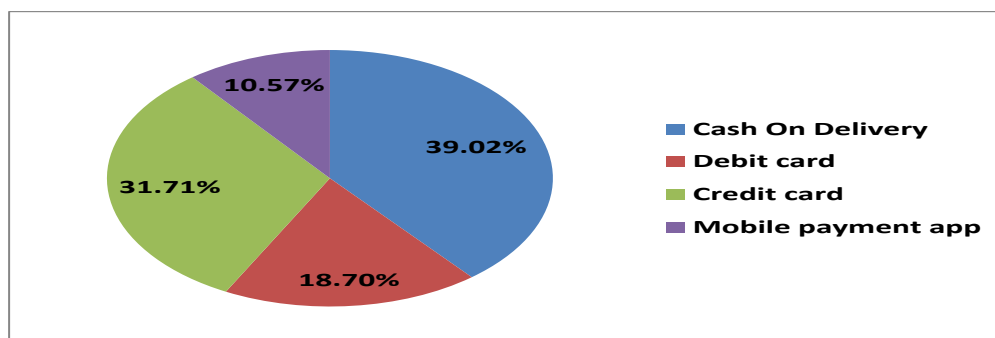


Figure 5: Preferred Methods of Payment for Online Purchases

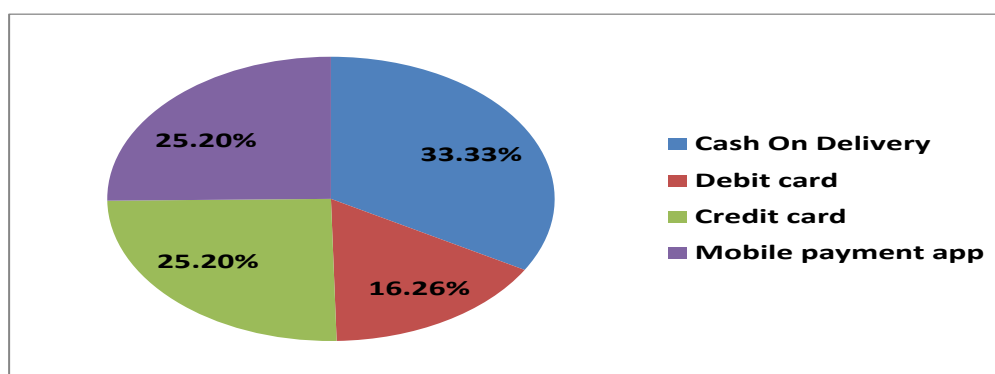


Figure 6: Payment Method to avoid Online Purchasing

Overall Discussion

According to the analysis of survey, Saudi consumers are aware of method of payments such as Cash on Delivery methods, Debit Card and Credit Card payment. 1/3 of Saudi consumer preferred to use cashless payments. According to the analysis 71% of the consumers prefer to use Cards as the method of Payment. Out of 71% of the card users, 49% consumers prefer to use credit card and 22% prefer to use debit card. The findings had displayed that, the most preferred payment methods while shopping online were the COD (39%) followed by Credit Card (31%). The findings of this research also suggested that, the research participants (50%) use the Card payment method that can help them in avoiding unnecessary spending while shopping online.

CONCLUSION

The FinTech has changed the way payments are done by the consumers when purchasing online. Credit cards, debits cards, PayPal and Google Checkout are the some of the latest development in Fintech. To conclude, as the technological evolution is in its highest pace, the financial sector is making the most out of this. The financial sector is focusing on providing the higher amount of satisfaction to the public of a country and is also striving towards the economic growth of the country. Different payments options are made available to the public today instead of the conventional cash payment methods. There are varieties of payment option that give the ability to the consumer of the products to buy the product. The aim of this research was to specifically focus towards the payment methods used by Saudi consumers

while shopping online. The findings of this research displayed that, the most preferred payments of methods amongst the Saudi consumers when shopping online prefer cash on delivery (COD) methods followed by the Credit Card methods. However, they use mostly Credit cards followed by the Debit cards. The FinTech's can use the social media platforms to interact with their customers as much as possible whether through a phone or an email in order to spread more awareness regarding the payment methods that are available to the consumers today.

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