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## ASSESSING CUSTOMER RISK PERCEPTION OF ONLINE PAYMENT IN THE HOSPITALITY INDUSTRY: A STUDY OF TRAVELLERS IN NASHIK, INDIA

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### ABSTRACT

This study investigated the risk perception of travellers in Nashik regarding online payments made to major platforms, such as MakeMyTrip, and local hospitality businesses for booking services. The rapid digitalization of the hospitality sector necessitated an examination of customer security concerns, which often temper the convenience of digital transactions. A quantitative research design was employed, and primary data were collected through a structured survey from a sample of 125 travellers who had recently used online platforms for hospitality bookings. The research identified and measured the key dimensions of perceived risk, namely Financial, Privacy, and Security risks. The results indicated that Security Risk Mean= 4.12 on a 5-point scale was the most significant deterrent, followed closely by Privacy Risk. Furthermore, a relationship was established between travel frequency and the level of perceived risk. The findings provided actionable insights for online platforms and local hospitality businesses in Nashik, recommending enhanced security protocols and transparent communication to mitigate customer risk perception, thereby fostering greater trust and encouraging the continued adoption of digital payments.

**KEYWORDS:** Risk Perception, Online Payment, Hospitality Industry, Nashik, Travelers, MakeMyTrip, Digital Payment, Customer Trust, Financial Risk, Privacy Risk.

### INTRODUCTION

The Indian hospitality sector, particularly in growing regional hubs like Nashik, has undergone a profound digital transformation. Online booking and payment have become the *de facto* standard, driven by the convenience offered by Online Travel Agencies (OTAs) and direct booking platforms of local establishments.

This reliance on digital channels is a direct result of India's overwhelming embrace of digital payments. Unified Payments Interface (UPI), the government-backed instant payment rail, is the cornerstone of this shift, accounting for an estimated 64% of India's payment gateway market share in 2024 and processing over 14 billion monthly real-time transactions (Worldline Report, 2024). This

pervasive acceptance means that every traveller is expected to use a digital payment method, making the perception of security a universal, critical issue.

The hospitality industry itself is a major pillar of this digital economy. The Indian hospitality market is estimated at USD 24.23 billion in 2025 and is projected to grow to USD 45.39 billion by 2030, driven by a strong Compound Annual Growth Rate (CAGR) of 13.37% (Mordor Intelligence, 2025). Within this growth, Online Travel Agencies (OTAs) captured over 45% of the total booking share in 2024, demonstrating the decisive importance of digital platforms for customer acquisition and transactions.

However, this reliance on digital channels introduces the concept of perceived risk, defined as the customer's expectation of a loss associated with a purchase or transaction. For online payments, this risk is often financial (monetary loss), security-based (data theft), or privacy-related (misuse of personal information). Despite the high adoption, the Reserve Bank of India (RBI) noted that fraud reporting rates have grown significantly, reinforcing the public's latent fear of online fraud. This study focused specifically on travellers in Nashik a key segment for the local tourism economy in West India, which commanded 32% of the payment gateway market size in 2024 to understand how their perceived risks influence their confidence in transacting with platforms like MakeMyTrip and smaller local service providers. Understanding these perceptions is critical for service providers aiming to optimize their payment gateways and trust-building strategies, thereby ensuring this vibrant sector can sustain its aggressive growth trajectory.

## **OBJECTIVES**

1. To identify and analyse the key dimensions of perceived risk (e.g., Financial, Security, Privacy, Performance) associated with online payment to online travel platforms and local hospitality businesses among travellers in Nashik.
2. To ascertain the influence of demographic factors (such as age, gender, education, and travel frequency) on the level of perceived risk for online payments among the sample of travellers.
3. To provide specific, actionable recommendations for online platforms and local Nashik hospitality service providers to effectively mitigate customer risk perception and build greater trust in their online payment systems.

## **REVIEW OF LITERATURE**

### **The Dimensions of Perceived Risk**

Perceived risk is generally categorized into several dimensions (e.g., Financial, Performance, Security, Privacy, and Time risk). Featherman and Pavlou (2003) established that in the digital domain, Security Risk (the perceived threat of loss due to unauthorized access to personal information) and Privacy

Risk (concerns over how personal data is collected and used) are paramount determinants of consumer behaviour.

### **Risk in Digital Payments and Hospitality**

Research specifically targeting the travel sector indicated a high correlation between perceived risk and booking intentions. A systematic review of payment methods in tourism and hospitality (published in 2024) highlighted that consumer often view debit cards as the safest method but perceive new digital payment methods with elevated security concerns. Furthermore, a 2023 report from the Reserve Bank of India (RBI) on payment systems noted that despite the exponential growth of UPI and mobile wallets, fraud reporting rates, while low in percentage terms, have grown significantly, reinforcing the public's latent fear of online fraud.

### **Regional Context and Digital Adoption**

In the Indian context, the growth of digital payments is undeniable. According to data from the National Payments Corporation of India (NPCI), Unified Payments Interface (UPI) transactions crossed 10 billion transactions per month in 2023. However, this high adoption rate often coexists with low digital trust in smaller businesses compared to large, regulated entities. A 2024 report by KPMG India specifically mentioned that 72% of Indian online consumers express higher trust in platforms that explicitly mention their security certifications (e.g., PCI DSS compliance), highlighting a clear risk mitigation strategy for platforms like MakeMyTrip and local Nashik providers.

The literature collectively supports the existence of a multi-dimensional perceived risk that significantly impacts online transaction behaviour, justifying the need for a localized study in Nashik to measure the intensity of these risks among travellers.

### **RESEARCH METHODOLOGY**

The research employed a descriptive research design using a quantitative approach. Primary data was collected through a structured questionnaire distributed to the target population of 125 travellers in Nashik. Respondents were selected using a Convenience Sampling technique, targeting individuals at major transit points and popular tourist accommodation sites who confirmed they had recently paid for hospitality services online. The questionnaire used a 5-point Likert scale (1=Strongly Disagree, 5=Strongly Agree) to measure the perceived risk dimensions. The survey also included a dedicated section for capturing key demographic and travel-related data. The sources of data were exclusively primary, gathered directly from the respondents during October and November 2025. Data analysis was performed using descriptive statistics (frequency, percentage, mean, standard deviation) and inferential statistics (ANOVA) to test the impact of demographic variables on risk perception.

## **RESULTS AND DISCUSSION**

### **Demographic Data Analysis**

The final sample size was 125 travellers. The demographic distribution provided a representative profile of the Nashik traveller segment: The sample was almost evenly split by Gender, with 52.0% Male and 48.0% Female respondents. The majority of travellers were relatively young and well-educated, with 66.4% falling in the 26-45 Years Age Group (38.4% in 26-35, and 28.0% in 36-45) and a significant 41.6% holding a post-Graduate degree. This profile represents a segment highly likely to engage in high-volume online transactions. In terms of travel habits, 44.0% reported a Quarterly Travel Frequency, and a substantial 56.0% of the respondents reported making online hospitality payments Once a Month, confirming the sample's high relevance for studying online risk perception.

### **Data Based on Perceived Risk Factor for Online Payment**

The analysis of perceived risk factors revealed the intensity of customer concerns:

Perceived Risk Factor (Sample Statements)	Mean (5-point scale)	Standard Deviation (SD)
Security Risk (e.g., Worry about payment details being hacked/stolen)	4.12	0.88
Privacy Risk (e.g., Concern about personal data being misused/sold)	3.98	0.75
Financial Risk (e.g., Fear of being overcharged or unauthorized deductions)	3.65	0.92
Performance Risk (e.g., Worry about payment failure leading to booking loss)	3.4	0.81
Time Risk (e.g., Time wasted due to complex or failed online transactions)	3.15	0.79

### **Sources: Primary Data**

The results clearly showed that Security Risk Mean=4.12 was the highest perceived risk, indicating that the fear of a data breach or financial information theft is the primary concern for Nashik travellers. This aligns with global e-commerce literature and the increasing number of high-profile data breaches reported in the media. Privacy Risk Mean=3.98 followed closely, suggesting customers are highly sensitive to how their transaction history and personal identifiers are utilized by platforms like MakeMyTrip or shared with local partners. Interestingly, Performance Risk and Time Risk were the

lowest, implying that while the fear of security is high, customers generally trust the transactional process to be efficient and successful once initiated. Further analysis (ANOVA) showed a statistically significant difference in perceived Security Risk across different age groups, with travellers over 45 years reporting a significantly higher mean score compared to younger travellers ( $p < 0.05$ ).

## **CONCLUSION**

The study successfully profiled the perceived risk landscape for online payments in the Nashik hospitality sector. The primary finding confirms that Security Risk is the most significant concern among travellers, demonstrating a clear vulnerability in the digital value chain that service providers must address. While the efficiency of digital payments is accepted (low Performance and Time risk), the perceived threat to personal and financial security remains a major barrier to building absolute customer trust. The sensitivity of older age groups to Security Risk further underscores the need for targeted, robust security communication and protocols.

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