



An effective return and refund policies and customer trust – A case study in e-commerce industry

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Abstract

The e-commerce business is fast growing industry in India which vast consumer base and geographical spread. However, consumers trust is one of the major determinants for growth of the industry. The return and refund policy of them protect the consumers against defect, damaged and fake products. The presents emphasized the relationship between return and refund policy of the e-commerce platforms and customer trust by taking 150 consumers selected through convenient sampling technique in Kamareddy district of Telangana state. The study applied reliability test, frequency tables and chi-square test. The hypothesis result supported that there is effective return and refund policy of e-commerce platforms significantly build customer trust. Therefore, the study concludes that e-commerce platforms should focus formulation of effective return and refund policies for build strong customer trust, perception and satisfaction.

Keywords: E-commerce, customer trust, return and refund, online shopping

Introduction

India's e-commerce industry is one of the world fastest growing industries with approximate worth of 147 billion dollars in 2024 and expected to 350 billion dollars by the end of 2030 with CAGR of 15.-21%. The major growth driving factors of e-commerce industry is wide usage of smart phones, internet penetration, high adoption of digital marketing and rise in technical and financial literacy among new generations. The major dominant players in the industry are Flipchart with 48 percent of share followed by the Amazon approximately 30-35 percent of market share. Thereafter, meesho, snap deal, myntra, AJIO, Nykaa, first cry and big basket are next top players in the industry The major business segments are B2C, quick commerce, social commerce platforms and API integrated capabilities. The rapid growth in smart phone usage, internet penetration, expansion of tier-2&3, rural markets, growth in digital payments, social commerce growth, niche markets like food, hand craft and sustainable products and AI and personalization are major opportunity creator for e-commerce industry in India. The e-commerce industry exposed to various challenges such as difficulty in last mile delivery due to in adequate transport and poor infrastructure, majority of customers are giving an option of Cash on Delivery due to trust issues which is leading to higher rate of return and reverse logical cost. There also facing issues from cyber securities and digital frauds which are causing low customer trust. The frequent changes in regulations and compliance are adversely affecting the operational or functional ability and cash outflow of the industry. Besides, intense completion, price wars, low survival for small players in the industry, language barriers, low literacy and inventory management are common challenges existed and should be addressed by the industry for further scaling.

The return and refund policy is one of the aspect directly impact the customer trust and satisfaction which also an indication of fair practices of ecommerce platforms. In India e-commerce industry refund policy is governed by the three laws namely consumer's protection Act 201, IT Act 2000 and consumer protection rules (e-commerce) 2020. The claim for refund is considered as his right in the case of

delivery of defective, damaged and fake product missing of inside product, different in size, delivery delay, quality and poor performance. The refund policy of e-commerce companies must disclose the data relating to the refund conditions, period, non-refundable items, transparency, return period, compliance officer and grievance redressed process. The effective refund policy significantly contributes to the build customer trust, reduce disputes and ensure legal compliance. However, customer are often expose to the some issues in refund such as policy ambiguity, delay in refund, rejection of refund and cross border transactions etc., Therefore, present study has focused on the measurement of how effective refund policy of e-commerce platforms leads to high customer trust a case study in Kama Reddy district of Telangana State.

Review of Literature

- **Sams & Haripriya (2026)** ^[1]: analysed the customer trust towards the return policy of Meesho fashion e-commerce platform in Tirupur with sample size of 100. The study applied Chi-square test. The outcome of the study found that return and refund policies play an important role in building customer trust in online shopping platforms and customers feel confident purchasing products when the return process is simple and reliable.
- **Prakash & Shalini Kapur (2025)**: measures the impact of return policy on customer satisfaction by taking 100 customers as sample respondents across the various cities in India. The study observed that 67% of the consumers are satisfied with the existing return policies. However, the study observed dissatisfaction of 33 percent of customers due to challenges they faced like complexity in process, flow refund, poor customer service and delay in payment etc.,
- **Patel & Singh (2025)** ^[2]: study found that, 26.8 percentage of Indian consumers exposed to the challenges with return/refund processes. Similarly, 34.2% of consumers are dissatisfied due to customer

service related to return issues. This is a sign for critical importance of return policy formulation and implementation in customer satisfaction

- **Neeraj Joshi (2020):** addressed the primary challenge in reverse logistics. The study countering this issue through the application of block chain technology and big data. The study also observed that companies often prioritise speedy product delivery, such as one-day or two-day delivery, over enhancing the product return process. Furthermore, it highlights the disparity in the efficiency of return logistics between Tier 2 and Tier 3 cities compared to Tier 1 cities. The sample size consists of 122.
- **Prashant K. Giri, (2018) [5]:** and emphasise the numerous advantages of reverse logistics for both organisations and the environment. It enhances the value and profitability of items, and it is not solely the responsibility of sellers, but also that of ecommerce companies. Proper optimization of reverse logistics can substantially benefit organisations.

Research Gap: The various studies have focused on the customer perception, determinants, satisfaction, challenges focused by the consumers in e-commerce platforms. It is found very few studies emphasized on the customer trust or loyalty in relation to the return and refund policies of the e-commerce platforms. Further, no study has focused on the relationship between refund policy and customer trust particularly in Kamareddy district of Telangana State. The present study fulfills this research gap.

Objectives of The Study

- To the present the significance of return and refund policy in the e-commerce industry of India
- To analyze the demographics profile of the selected consumers of e-commerce platforms
- To examine the relationship between refund policy and customer trust in e-commerce industry in Kamareddy district of Telangana State.

Hypothesis: The study formed and examined the following null and alternative hypothesis with appropriate statistical techniques

H₁: There is significant association between return and refund policy and customer trust in e-commerce industry

H₀: There is insignificant association between return and refund policy and customer trust in e-commerce industry

Research Methodology

Present study is an explorative study focused on measuring the relationship between return and refund policy and customer trust in e-commerce platforms in the Kamareddy district of Telangana State. The study used both primary and secondary data. The study primary data is collected through well-structured questionnaire prepared as per the objectives of the study using five point likert scales. The secondary data is collected concept of e-commerce platforms and review of literature from previous research articles, doctoral thesis, published books and research reports. Present study an explorative study conducted with sample size of 150 selected through convenient sampling technique. The study used frequency tables, percentage, cumulative percentage and Cronbach's Alpha test and Chi-square.

▪ **Data analysis And Interpretation**

Table 1: Demographic Profile of Consumers

			Frequency	Percentage	Cumulative %
01	Gender Of the Consumers	Male	99	66.00	66.00
		Female	38	25.33	91.33
		Third Gender	13	8.67	100.00
		Total	150	100.00	
02	Age of the Consumers	Below 20 years	53	35.33	35.33
		20-30 Years	44	29.33	64.66
		30-40 Years	25	16.67	81.33
		40-50 Years	15	10.00	91.33
		above 50 years	13	8.67	100.00
		Total	150	100.00	
03	Marital Status	Married	79	52.67	52.67
		Unmarried	40	26.67	79.34
		Divorced	21	14.00	93.34
		Widow	10	6.66	100.00
		Total	150	100.00	
04	Education	Upto SSC	15	10.00	10.00
		Intermediate	44	29.33	39.33
		UG/PG	74	49.33	88.66
		Professional Degree	15	10.00	98.66
		Others	2	1.34	100.00
		Total	150	100.00	
05	Employment Status	Unemployed	15	10.00	10.00
		Private Employee	19	12.67	22.67
		Government employee	35	23.33	46.00
		House wife	19	12.67	58.67
		Student	24	16.00	74.67
		Business	29	19.33	94.00
		Farmers	8	5.33	99.33
		Others	1	0.67	100.00

		Total	150	100.00	
06	Monthly Income	Below Rs 25000	35	23.33	23.33
		Rs 25001 –Rs 50000	53	35.33	58.66
		Rs 50000- Rs 75000	35	23.33	81.99
		Above Rs 75000	27	18.01	100.00
		Total	150	100.00	
07	Type of e-commerce using (multiple Response)	Flipkart	135	90.00	
		Amazon	126	84.00	
		Snapdeal	75	50.00	
		Meesho	89	59.33	
		Firstcry	53	35.33	
		bigbasket	63	42.00	
		others	78	52.00	

Source: Field study

Table 01: The demographic profile of the study revealed that, in total participants 66.00 % is male, 25.33 % is female and 8.67 % is third gender. The age wise participation observed that 35.33% belong to below 20 years, 29.33 % belongs to 20-30 years, 16.67 % belongs to 30-40 years, 10 % lies in between 40-50 years and 8.67 % belongs to above 50 years. In total consumers 52.67 % is married, 26.67 % is unmarried, 14 % is divorced and 6.66 % is widow. The education profile observed that, ten percentage completed SSC, 29.33 % pursued intermediate, 49.33 % completed UG/PG and ten % completed professional degree and 1.34 % pursued other educational qualification like vocational etc. The employment status of the consumers observed that,

ten percentage is unemployed, 12.67% is private employee, 23.33 % government employee, 12.67 % house wife, 16.00 % student, 19.33% business, 5.33 percent farmers and 0.67 percent others. The monthly income observed and found that, 23.33% is earning is below Rs 25000, 35.33 % income lies between Rs 25001- Rs 50000, 23.33 % lies between Rs 50000- Rs 75000 and 18.01 % earnings is above Rs 75000 per month. The study also found that, in different e-commerce platforms 90 percentage is using flip kart which indicates its market leadership followed by 84% by amazon, 59.33 percentage snap deal, 50 % snap deal, 42 % big basket, 35.33% first cry and 52 % is also using other e-commerce platforms.

Table 2: Consumer Opinion on Return And Refund Policies of E-Commerce Platforms

	Statements	SA	A	N	D	SD	Total
01	The return and refund policy of e-commerce platform is simple and easy to understand	41 (27.33)	48 (32.00)	35 (23.33)	16 (10.67)	10 (6.67)	150 (100)
02	The R &R policy terms and conditions are convenient and justifiable	40 (26.67)	45 (30.00)	31 (20.67)	21 (14.00)	13 (8.66)	150 (100)
03	The R &R period is acceptable and useful	60 (40.00)	45 (30.00)	29 (19.33)	6 (4.00)	10 (6.67)	150 (100)
04	My e-commerce platform are offering 100 % amount as refund	35 (23.33)	36 (24.00)	40 (26.67)	28 (18.67)	11 (7.33)	150 (100)
05	The behavior of staff is positive while contacted regarding return and refund time	36 (24.00)	56 (37.33)	23 (15.33)	21 (14.00)	14 (9.34)	150 (100)
06	My e-commerce platform refunded amount by in time without delay	53 (35.33)	36 (24.00)	31 (20.67)	23 (15.33)	7 (4.67)	150 (100)
07	E-commerce platform return and refund policies are transparent and reliable	40 (26.67)	45 (30.00)	31 (20.67)	21 (14.00)	13 (8.66)	150 (100)
08	The grievance redressed mechanism is very effective to the consumer	35 (23.33)	36 (24.00)	40 (26.67)	28 (18.67)	11 (7.33)	150 (100)
09	E-commerce platform return and refund policies regulations are adequate and reliable	35 (23.33)	44 (29.33)	31 (20.67)	28 (18.67)	12 (8.00)	150 (100)
10	In overall, present return and refund policies build my trust towards e-commerce platforms	60 (40.00)	45 (30.00)	29 (19.33)	6 (4.00)	10 (6.71)	150 (100)

Source: Field study

Findings of The Study

Table 02: exhibits the consumer's opinion on the return and refund policies of e-commerce platforms in Kamareddy district. The study found that, 27.33 % of consumers strongly agreed and 32 % agreed that e-commerce platform's return and refund policy is simple and easy to understand, in contrast 10.67 % disagreed and 6.67 strongly disagreed whereas 23.33 % neutral to the statement. Similarly, the study found that, 26.67 % of consumers strongly agreed and 30 % agreed that e-commerce platform's R &R policy terms and conditions are convenient and justifiable and reasonable, in contrast 14 % disagreed and 8.66 strongly disagreed whereas 20.67 % neutral to the statement. The study found that, 40 % of consumers

strongly agreed and 30% agreed that e-commerce platform's R &R period is acceptable and useful, in contrast four percentage disagreed and 6.67 strongly disagreed whereas 19.33 % expressed neutral opinion to the statement.

Thereafter, the study revealed that, 23.33 % of consumers strongly agreed and 24 % agreed that e-commerce platform are offering 100 % amount as refund, in contrast 18.67 % disagreed and 7.33 strongly disagreed, 19.33 % neutral to the statement. This indicates more than half of the consumers are accepting present R&R policy. Similarly, the study found that, 24 % of consumers strongly agreed and 37.33 % agreed that e-commerce platform's behavior of staff is positive while contacted regarding return and refund time, in contrast 14 % disagreed and 9.34% strongly

disagreed to the statement, whereas 15.33 % neutral to the statement. Similarly, the study found that, 35.33 % of consumers strongly agreed and 24 % agreed that e-commerce platform refunded amount by in time without delay, in contrast, 15.33 percentage disagreed and 4.67 strongly disagreed, whereas 20.67 % expressed neutral opinion to the statement.

The study witnessed that, 26.67 % of consumers strongly agreed and 30 % agreed that e-commerce platform's return and refund policies are transparent and reliable, in contrast 14 % disagreed and 8.66 strongly disagreed, whereas 20.67 % neutral to the statement. Similarly, the study found that, 23.33 % of consumers strongly agreed and 24% agreed that e-commerce platform's grievance redressed mechanism is very effective to the consumer, in contrast 18.67 % disagreed and 7.33% strongly disagreed whereas 26.67 % neutral to the statement. The study found that, 23.33% of consumers strongly agreed and 29.33% agreed that e-commerce platform's return and refund policies regulations are adequate and reliable, in contrast 18.67 % disagreed and eight percentage strongly disagreed whereas 20.67 % expressed neutral opinion to the statement. Finally, the study found that, 40 % of consumers strongly agreed and 30 % agreed that e-commerce platform's present return and refund policies build my trust towards e-commerce platforms, in contrast four percentage disagreed and 6.71 percentage strongly disagreed whereas 19.33 % expressed neutral opinion to the statement.

Reliability Statistics

Reliability Statistics		
Cronbach's Alpha	Cronbach's Alpha Based on Standardized Items	N of Items
.962	.958	17

CronCronbach's alpha technique is used to assess the reliability, or internal consistency, of a set of scale or test items. The results of the test will be in range from (α) 0 to 1. If $\alpha = 0$, it indicates independency of all scale items one with another where $\alpha = 1$ indicates entire dependency of all scale items and high covariance. Therefore, increasing the value indicates high reliability. In general, suggestible Cronbach alpha reliability coefficient level is.70. In the present study reliability test results is.962 which is higher than standard acceptable level of 0.70, this indicates high reliability and consistency of data and fit of Chi-square.

Hypothesis Testing Result

Chi-square table

Particulars	Values
Chi-Square (χ^2) Calculated Value	52.84
Degrees of Freedom (df)	36
Significance Level (p-value)	0.032
Table Value at 5% Level (χ^2 critical)	50.99
Sample Size (N)	150
Result	Significant
Hypothesis Decision	Reject Null Hypothesis
Source: Compiled by the Author in SPSS	

In the study, as per the hypothesis statement Chi-square test was applied to examine the relationship between return and refund policies of e-commerce platforms and customer trust. The study found that, the p-value (0.032) is less than 0.05.

This indicates that the difference in responses is statistically significant. Hence, the null hypothesis is rejected and the alternative hypothesis is accepted. It can be concluded that return and refund policies have a significant influence on building customer trust in e-commerce platforms.

Conclusion

The study found that effective return and refund policies of e-commerce platforms in India builds strong trust in customers towards them, besides, they also promote customer satisfaction, continuous business generation, avoid fraudulent selling practices and improves competitiveness in the industry. The majority of customers is expressed positive opinion on the present return and refund policy of e-commerce companies in India. The hypothesis result supported that there is effective return and refund policy of e-commerce platforms significantly build customer trust. Therefore, the study concludes that e-commerce platforms should focus formulation of effective return and refund policies for build strong customer trust, perception and satisfaction.

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