



## Impact of Online Advertising on Consumer Purchase Decisions: An Empirical Study of Indian Consumers

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### ABSTRACT

The rapid expansion of internet connectivity, smartphones, social media platforms and e-commerce has transformed the way businesses communicate with consumers. Online advertising has become an important component of the contemporary marketing environment because it enables firms to reach consumers through search engines, social media, video platforms, websites, mobile applications, e-commerce platforms and personalized advertisements. This study examines the impact of online advertising on consumer purchase decisions in India. The study is based on secondary data and reviews recent developments up to June 2026. The analysis focuses on major dimensions of online advertising, including informativeness, entertainment, credibility, personalization, interactivity, social influence and perceived usefulness. Recent Indian market evidence indicates strong growth in digital advertising and online shopping. India's digital advertising expenditure reached approximately ₹49,000 crore in FY2024–25, representing 44% of total advertising expenditure according to the ET Brand Equity–Ipsos report. TRAI reported approximately 1,092.79 million internet subscribers in March 2026, creating a substantial digital audience for advertisers. The study concludes that online advertising can influence different stages of consumer decision-

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making, particularly awareness, information search, product evaluation and purchase intention. However, advertising credibility, privacy, excessive advertising and information overload remain important considerations.

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## Introduction

Digital transformation has fundamentally changed the relationship between businesses and consumers. Traditional advertising through newspapers, television, radio and outdoor media is increasingly complemented by digital advertising through search engines, social media, websites, mobile applications, online videos and e-commerce platforms.

Online advertising can be defined as the paid promotion of products, services, brands or ideas through internet-based channels. It includes display advertisements, search advertisements, social media advertisements, video advertisements, sponsored content, influencer-based promotions, email advertising, mobile advertising and advertisements displayed on e-commerce platforms.

India represents an important market for studying online advertising because of its large internet user base and rapidly expanding digital commerce ecosystem. TRAI's March 2026 dashboard reported **1,092.79 million internet subscribers** and **1,065.88 million broadband subscribers**.

The advertising industry has consequently shifted significant expenditure towards digital media. According to the ET Brand Equity–Ipsos *State of Digital Marketing in India 2025–26*, India's total advertising expenditure reached ₹1.11 lakh crore in FY2024–25, while digital advertising accounted for approximately ₹49,000 crore, or 44% of total advertising expenditure. Digital advertising grew 20% year-on-year.

The growing importance of online shopping further strengthens the relationship between digital advertising and purchase decisions. IBEF reported that India's online shopper base reached approximately **290–300 million in 2025**, with Tier-2 and smaller cities accounting for around 65% of new shoppers.

Therefore, understanding how online advertisements affect consumer decisions is increasingly relevant for marketers, businesses and researchers.

## Statement of the Problem

Consumers today encounter numerous advertisements while browsing websites, using social media, watching online videos, searching for products and shopping through e-commerce platforms. While online



advertising provides information and product comparisons, excessive advertisements, misleading claims, intrusive personalization and privacy concerns may negatively affect consumer attitudes.

### Objectives of the Study

The study has the following objectives:

1. To examine the growth of online advertising in India.
2. To study the relationship between online advertising and consumer purchase decisions.
3. To identify the major factors of online advertising influencing consumers.
4. To examine the role of informativeness, entertainment and credibility in online advertising.
5. To analyse the influence of personalization and interactivity on consumer responses.
6. To examine the role of social media and online reviews in purchase decisions.

### Research Questions

1. How has online advertising developed in India?
2. Does online advertising influence consumer purchase decisions?
3. Which characteristics of online advertisements affect consumers?
4. What role do credibility and informativeness play in consumer decisions?
5. How do social media, reviews and personalization influence purchase behaviour?
6. What challenges can reduce the effectiveness of online advertising?

### Review of Literature

#### 1. Lütjens, Eisenbeiss, Fiedler and Bijmolt

Lütjens et al. conducted a meta-analysis of **88 empirical studies** examining consumers' attitudes towards digital advertising. Their findings identified **informativeness, entertainment, irritation and credibility** as important determinants of consumer attitudes. They also noted the growing relevance of personalization, privacy concerns and interactivity.



## 2. Shanmugavel

Shanmugavel examined YouTube advertising and purchase intention among **562 Generation Z respondents in India** using the Ducoffe web advertising model together with hedonic motivation. The study considered entertainment, informativeness, credibility, incentives and irritation as important advertising characteristics.

## 3. Garima and Sheokand

Garima and Sheokand examined social media advertising among Indian millennials and considered the role of electronic word-of-mouth and privacy concerns in the relationship between social media advertising and purchase intention. The study was published online in 2024.

## 4. Bains and Kalsi

Bains and Kalsi conducted a PRISMA-based systematic review of research on online advertising and consumer buying behaviour. Their 2025 study synthesised existing research to identify major patterns concerning different forms of online advertising and consumer decision-making.

## 5. Abdul Rahman, Nithya, Yoganandan and Meero

A 2026 Indian survey involving **1,111 valid responses** examined social media marketing, consumer perception and purchase decisions using the Stimulus–Organism–Response framework. The study considered digital advertising, customer reviews and brand awareness as important components of the consumer decision process.

## Research Gap

Previous research has examined online advertising, social media marketing, digital advertising, and purchase intention separately. However, several gaps remain.

First, online advertising is continuously changing because of artificial intelligence, personalized advertising, retail media and short-form video.

Second, Indian consumers are increasingly moving from metropolitan markets to Tier-2 and Tier-3 cities.

Third, e-commerce platforms themselves are becoming advertising channels. Amazon, Flipkart and Myntra together generated approximately **₹15,573 crore in advertising revenue in FY2024–25**, according to IBEF.



Fourth, recent evidence up to June 2026 can provide a more current understanding of the relationship between digital advertising and consumer decision-making.

Therefore, the present study integrates recent market evidence with previous academic literature to provide an updated Indian perspective.

## **Research Methodology**

### **Research Design**

The study adopts a **descriptive and analytical research design**.

### **Nature of Data**

The research is based primarily on **secondary data**.

### **Period of Study**

The study considers information available up to **June 2026**, with emphasis on 2024, 2025 and the latest available 2026 indicators.

### **Sources of Data**

Data and information were collected from:

- Telecom Regulatory Authority of India (TRAI)
- Government and institutional reports
- ET Brand Equity–Ipsos
- EY/FICCI reports
- IBEF
- Academic journals
- Research articles
- Published industry studies

TRAI's March 2026 data provide the latest major internet-subscriber indicator used in this study.



## Method of Analysis

The study uses:

- Trend analysis
- Comparative analysis
- Descriptive interpretation
- Literature synthesis

No primary survey responses are claimed in this paper; therefore, the findings should be interpreted as secondary-data-based conclusions rather than estimates from a new consumer sample.

## Growth of Online Advertising in India

Online advertising has become one of the largest components of India's advertising ecosystem.

| Indicator                                  | Latest reported figure  |
|--------------------------------------------|-------------------------|
| Total advertising expenditure, FY2024–25   | ₹1.11 lakh crore        |
| Digital advertising expenditure, FY2024–25 | ₹49,000 crore           |
| Digital advertising share                  | 44%                     |
| Digital advertising growth                 | 20% YoY                 |
| Internet subscribers, March 2026           | 1,092.79 million        |
| Broadband subscribers, March 2026          | 1,065.88 million        |
| Online shoppers, 2025                      | Approx. 290–300 million |

Sources: ET Brand Equity–Ipsos and TRAI; online shopper data from IBEF.

The data demonstrate the scale of India's digital consumer environment. Digital advertising's 44% share of total advertising expenditure in FY2024–25 indicates that digital channels have become central to marketing strategies.

A separate EY/FICCI assessment reported that India's digital advertising revenues grew **26% to ₹947 billion in 2025**, accounting for approximately 63% of total advertising revenues within its media-and-entertainment framework. The difference between this figure and the ₹49,000-crore



## Major Forms of Online Advertising

### 1. Search Engine Advertising

Search advertisements appear when consumers search for specific products or services. These advertisements are particularly relevant because they reach consumers who are already demonstrating an information need.

For example, a consumer searching for "best smartphone under ₹20,000" may see sponsored product listings before organic search results.

### 2. Social Media Advertising

Platforms such as Instagram, Facebook and other social networks allow advertisers to target consumers according to demographic, behavioural and interest-related characteristics.

Social media advertising can create awareness and engagement while also allowing consumers to interact with brands.

### 3. Video Advertising

Video advertisements are increasingly important because consumers spend considerable time on video platforms. DataReportal reported that Google's advertising resources indicated YouTube had an advertising reach of approximately **500 million users in India in late 2025**, while cautioning that advertising reach is not equivalent to monthly active users.

### 4. Display Advertising

Banner and display advertisements are placed on websites and applications. Their effectiveness depends on factors such as relevance, design, visibility and frequency.

### 5. Influencer and Sponsored Content

Influencers can introduce products through reviews, demonstrations and recommendations. Their effectiveness is closely associated with credibility and perceived authenticity.

### 6. E-commerce Advertising

E-commerce websites increasingly provide advertising opportunities to sellers and brands. Retail media allows advertisements to appear close to the point of purchase.



This segment is expanding rapidly in India. Amazon, Flipkart and Myntra together reported ₹15,573 crore in advertising revenue during FY2024–25, up 26% year-on-year.

### Impact of Online Advertising on Consumer Purchase Decisions

1. **Impact on Consumer Awareness:-** Online advertising increases awareness of new brands, products and services. Consumers can discover products without deliberately searching for them. Therefore, advertising can influence the **awareness stage** of the consumer decision process.
2. **Impact on Information Search:-** Consumers frequently use online information before purchasing products. Advertisements provide information about:
  - Product features
  - Price
  - Discounts
  - Availability
  - Specifications
  - Product benefits
  - Delivery options

Informative advertisements can reduce the time consumers spend searching for information.

3. **Impact on Product Evaluation:-** Online advertisements enable consumers to compare alternatives. Consumers may click an advertisement, visit the seller's website, read reviews and compare prices before purchasing. Consequently, advertising can contribute to the **evaluation-of-alternatives stage**.
4. **Impact on Purchase Intention:-** Relevant and credible advertisements can increase consumers' willingness to consider a product. Research on Indian digital consumers has found relationships between advertising characteristics and purchase intention, while recent research also highlights perceived usefulness and trust as mechanisms connecting digital marketing to buying intention.
5. **Impact on Actual Purchase Decisions:-** Online advertising can provide a direct path from advertisement to purchase. E-commerce advertisements may contain a product link, price, offer and purchase option. The development of retail media strengthens this connection because consumers encounter advertisements while already shopping.



- 6. Impact of Online Reviews and eWOM:-** Consumers frequently supplement advertisements with customer reviews. A 2024 meta-analysis covering **156 studies, 214 effect sizes and 69,006 observations** found significant effects of online-review antecedents on purchase intention, with review valence showing a particularly strong association. This suggests that advertising effectiveness can be strengthened or weakened by information generated by other consumers.

### Key Factors Influencing Consumer Response to Online Advertising

- 1. Informativeness:-** Consumers generally value advertisements that provide useful and accurate information.
- 2. Credibility:-** Consumers are more likely to consider advertisements credible when claims are transparent and supported by trustworthy information.
- 3. Entertainment:-** Creative, engaging and visually attractive advertisements can increase attention.
- 4. Personalization:-** Personalized advertisements can increase relevance by presenting products based on consumers' interests and online behaviour. However, excessive personalization may create privacy concerns.
- 5. Interactivity:-** Interactive advertisements enable consumers to click, comment, explore product information or communicate with brands.
- 6. Discounts and Promotional Offers:-** Price reductions, coupons, cashback and limited-time offers can encourage consumers to consider immediate purchases.
- 7. Social Proof:-** Customer ratings, reviews, testimonials and influencer recommendations can affect consumers' perceptions of products.
- 8. Brand Trust:-** Trust reduces uncertainty, particularly when consumers purchase unfamiliar products online.

### Findings of the Study

Based on the secondary evidence reviewed, the following findings emerge:

- 1. Digital advertising has become a major advertising medium in India.** Digital advertising accounted for approximately 44% of total advertising expenditure in FY2024–25 according to the ET Brand Equity–Ipsos measurement.
- 2. India has a very large digital audience.** TRAI recorded approximately 1.093 billion internet subscribers in March 2026.



3. **Online shopping is expanding.** India's online shopper base reached approximately 290–300 million in 2025.
4. **E-commerce advertising is becoming strategically important.** Amazon, Flipkart and Myntra together generated ₹15,573 crore in advertising revenue in FY2024–25.
5. **Advertising characteristics matter.** Academic evidence identifies informativeness, credibility, entertainment and irritation as important determinants of consumer attitudes toward digital advertising.
6. **Trust and perceived usefulness are important mechanisms.** Recent Indian research found significant relationships between digital marketing, perceived usefulness, trust and consumer buying intention.
7. **Online reviews complement advertising.** Consumer-generated reviews can significantly affect purchase intention.
8. **Privacy is an important concern.** Personalization may improve relevance but can also raise concerns about data collection and consumer privacy. .

## Suggestions

### For Businesses

1. Advertisements should provide accurate and relevant information.
2. Businesses should focus on credibility rather than exaggerated claims.
3. Personalization should respect consumer privacy.
4. Advertisements should be designed for mobile devices.
5. Businesses should integrate advertisements with product reviews and detailed product information.
6. Short-form video and interactive content can be used where appropriate.
7. Advertising frequency should be controlled to avoid irritation.
8. Brands should monitor consumer feedback and online reviews.
9. Clear pricing, delivery and return information should be provided.



10. Businesses should disclose sponsored and influencer content transparently.

### For Digital Platforms

Platforms should strengthen mechanisms for detecting fraudulent advertising, misleading content and fake reviews while improving transparency around sponsored content.

### Conclusion

Online advertising has become an integral component of India's rapidly expanding digital economy. The growth of internet connectivity, smartphones, social media and e-commerce has created an environment in which consumers encounter advertisements throughout their purchasing journey.

Evidence available up to June 2026 indicates substantial expansion of India's digital ecosystem. TRAI recorded approximately 1.093 billion internet subscribers in March 2026, while industry research shows strong growth in digital advertising and online shopping.

The study indicates that online advertising can influence consumer awareness, information search, product evaluation, purchase intention and purchase decisions. However, the impact is not determined simply by advertising exposure. Factors such as **informativeness, credibility, entertainment, personalization, interactivity, trust, reviews and perceived usefulness** are important in determining consumer responses.

At the same time, privacy concerns, advertising irritation, information overload and misleading advertising can weaken consumer trust. Therefore, the future effectiveness of online advertising is likely to depend not only on reaching a larger audience but also on delivering **relevant, credible, transparent and consumer-oriented communication**.

Overall, the study provides a secondary-data-based framework for understanding how online advertising interacts with contemporary consumer decision-making in India. Future researchers can extend this work through primary surveys and statistical techniques such as correlation, regression, SEM or PLS-SEM to measure the strength of these relationships across different age groups, locations and product categories.

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