

A Study on Relationship among Components of Dimensions of Perceived Risk in Web Based Shopping in Punjab

Rakhi Bajaj

Assistant Professor, Department of Management, Guru Nanak Girls College, Model Town, Ludhiana

ARTICLE DETAILS

Article History

Published Online: 15 March 2019

Keywords

Internet, web based shopping, perceived risk, financial risk, performance risk, time risk, privacy risk, social risk, psychological risk

ABSTRACT

Perceived risk is perception of risk in web based shopping. Growth of Internet has resulted in boom in online shopping but it is comparatively less due to presence of perceived risk. Perceived risk is a critical issue having various dimensions such as perceived performance risk, perceived time risk, perceived psychological risk, perceived financial risk, perceived privacy risk and perceived source risk. The present paper is an attempt to identify dimensions of perceived risk and to find out correlation among components of these dimensions. The study will enable e tailors to reduce these dimensions. For this 400 valid questionnaires from high educational institutes of four major cities of Punjab were collected and studied. The study found significant correlation among components.

1. Introduction

Web based shopping or internet shopping originated with the advent of Internet. It brought a massive revolution in traditional marketing. The growth rate is much more than traditional marketing. However the perfect sale cannot cover some major drawbacks of it. The leakage of personal information, lack of personal touch, lack of asymmetric information regarding source and website of product, fear of monetary losses and extra delivery charges are key hindrances in online shopping. These are various dimensions of perceived risk which will be discussed in present paper.

Perceived Risk

The concept of Perceived risk was introduced by Bauer in 1960 where he mentioned that purchase activity of buyer is associated with uncertainties. Cox et al.(1964), Cunningham(1967), Taylor(1974), Havlena and Desarbo (1990) emphasized that perceived risk is a function of uncertainties and consequences related with it. Various academicians have mentioned different types of this risk. Roselius found time loss, hazard loss, money loss and ego loss during purchase. Stone and Gronhaug(1993) found six dimensions of it. With the increasing popularity of web based shopping more dimensions of risk have been identified and studied. In the present paper I have focused on six major dimensions discussed below.

Dimensions of Perceived Risk:

1. Perceived Psychological Risk
2. Perceived Financial Risk
3. Perceived Performance Risk
4. Perceived Time Risk
5. Perceived Privacy Risk
6. Perceived Source Risk

1. Perceived Psychological Risk

Perceived Psychological Risk is the mental stress or dissatisfaction caused due to purchase in online shopping (Jacoby and Kaplan, 1972). Uncertainty regarding fitting, perception and recognition of product are major components.(Featherman and Pavlou, 2003; Lim 2003 Tan,

1999).

Components of Perceived Psychological Risk

- PHY 1. Uncertainty regarding fitting of product style
- PHY 2. Uncertainty regarding perception of product
- PHY 3. Uncertainty regarding recognition of product

2. Perceived Financial Risk

This risk is regarding consumer's concern about monetary loss and also extra charges of delivery and online payment. (Fram and Grady, 1997). Uncertainty regarding leakage of credit card information, overcharging of credit card, fewer discounts and money back guarantee are some other components of it.

Components of Financial Perceived Risk

- F 1: Uncertainty regarding leakage of credit card information
- F 2: Uncertainty regarding overcharging of credit card.
- F3: Uncertainty regarding fewer discounts
- F4: Uncertainty regarding money back guarantee
- F5: Uncertainty regarding extra delivery charges

3. Perceived Performance Risk

Performance Risk is related with product quality, performance, falseness and other concerned problems. (Alreck and Settle, 2002 ; Bhatnagar et al., 2000; Forsythe and Shi, 2003; Jasper and Quellette, 1994; Torkezadeh and Dikkion, 2002)

Components of Performance Perceived Risk

- P 1: Uncertainty regarding size of product
- P 2: Uncertainty regarding colour of product
- P 3: Uncertainty regarding material of product
- P 4: Uncertainty regarding quality of product
- P 5: Uncertainty regarding performance of product

4. Perceived Time Risk

Perceived time risk is risk associated with loss of time. New consumers find difficulty in browsing various sites. (Roselius, 1971)

Components of Time Perceived Risk

- T 1: uncertainty regarding time in finding suitable website.

- T 2: uncertainty regarding time in finding suitable product.
 T 3: uncertainty regarding time in placing the order.
 T 4: uncertainty regarding time in receiving the order.
 T 1: uncertainty regarding convenience in finding suitable product.

5. Perceived Privacy Risk

Concern about security of personal information like home address, telephone number, e mail id and account numbers of credit or debit cards (Forsythe & Shi, 2003; Maignan and Lukas, 1997) are issues of perceived privacy risk

Components of Privacy Perceived Risk

- PRY 1: uncertainty regarding safety of personal information.
 PRY 2: uncertainty regarding selling of personal information to third party.
 PRY 3: uncertainty regarding repeated contact by the company without prior consent

6. Perceived Source Risk

This is concern about asymmetric information of seller and products. (McCorkle, 1990)

Components of Source Perceived Risk

- SR 1: Uncertainty regarding legitimacy of online website.
 SR 2: Uncertainty regarding legitimacy of the source of product.

2. Review of Literature

Cox, 1967 identified two major categories of perceived risk performance (economic, temporal and effort) and psychological risk(psychological and social). Jacoby and Kaplan, 1972 in their study found five major types of perceived risk which were functional, financial, physical, time- loss and psychological. Stone and Gronhaug, 1993 in their study revealed significant dimensions of six types functional, financial, physical, social, time and psychological perceived risk. Bhatnagar et al, 2000 emphasised product risk and financial risk which were high for food items and low for apparel. Schiffman and Kanuk (2004) identified six types of perceived risk namely financial, functional, social, psychological, physical and time/ convenience risk. Bhukya 2014 found functional, financial, physical and psychological risk at the outlets of large Indian retailers. Mishra and Popli (2015) in their study tried to find out the influence of factors of perceived risk on online purchase decision of consumers. The study showed that higher perceived risk lessens the preference of online shopping. Thirteen major dimensions including economic risk, health risk ,financial risk, time risk, privacy risk, delivery risk, product and service risk, performance risk, online transaction risk, psychological risk, quality risk, source risk, after-sale risk, and social risk were selected for the purpose of study. The study emphasised the importance of these factors in understanding behaviour of online consumers. Sreya and

Raveendran, 2016 in their paper with the help of EFA revealed few other dimensions of risk like Product risk, Payment and Transaction risk, Privacy risk, Risk of hidden charges and time risk from Kannur districts of Kerala. Nasir and Haider (2016) in their study evaluated factors influencing online shopping behaviours of consumers in Lahore, Pakistan. As per study five major factors financial risk, product risk, convenience risk, non-policy risk and return policy risk were found having profound impact on the behaviour of consumers who opt for online shopping. Thakur and Kaur (2017) studied the relationship between consumer trust and online shopping activities in Punjab. 300 respondents from three districts Kapurthala, Jalandhar, and Hoshiarpur were selected for the study on the basis of judgmental sampling.

3. Research Methodology:

The data required for the study was collected during February 2015 – October 2015 with the help of non-disguised pilot tested questionnaire. It was designed for analyzing various types of perceived risk on online shopping experience. The design for the particular study is descriptive as well as exploratory. Sample consisted of 400 respondents from four major cities of Punjab State using convenience sampling method. Quota sampling was adopted in the first stage where control categories of population elements were established. Secondary data for the study was collected from various books, national and international journals, websites, online databases and reports. Few National and International journals reviewed for the purpose were Indian Journal of Marketing, International Review of Management and Business Research, Academic Journal of Information Technology, Information Systems Research, Journal of Electronic Commerce Research, International Journal of Marketing Studies, Global Journal of Management and Business Studies, Journal of Advertising Research, Journal of Electronic Banking and Commerce, Journal of the Academy of Marketing Science, Advances in Consumer Research, American Journal of Business, Journal of Interactive Marketing, The International Review of Retail, Distribution and Consumer Research, Online Academic Journal of Information Technology, Journal of Logistics Information Management, International Journal of Engineering and Management Sciences, Journal of Advertising, Journal of Economic Psychology etc.Primary data for the study was collected from February 2015-October 2015 with the help of structured questionnaire designed after pilot study. A five point likert scale was constructed with response categories ranging from strongly agree (5) to strongly disagree (1). Similarly response categories were constructed in 5 point likert scales for level of influence of determinant and level of usefulness for risk reduction strategy. After pilot study and refining measure 25 statements were selected for dimensions of perceived risk, 8 statements for determinants of perceived risk and 12 risk reduction strategies for the purpose of study. Reliability was done with the help of Cronbach's coefficient alpha test.

4. Results and Discussion:

Fig 1: Inter Component correlation Matrix among components of perceived psychological risk

	PSY 1	PSY 2	PSY 3	Total PSY
PSY 1	1	.401*	.194*	.666*
PSY 2	.401*	1	.630*	.872*
PSY 3	.194*	.630*	1	.796*
Total PSY	.666*	.872*	.796*	1

*Significant at 5 % level of significance

Fig 2: Inter Component correlation Matrix among components of perceived performance risk

	P 1	P 2	P 3	P 4	P 5	Total P
P 1	1	.586*	.432*	.516*	.375*	.772*
P 2	.586*	1	.372*	.579*	.415*	.779*
P 3	.432*	.372*	1	.475*	.297*	.715*
P 4	.516*	.579*	.475*	1	.442*	.797*
P 5	.375*	.415*	.297*	.442*	1	.673*
Total P	.772*	.779*	.715*	.797*	.673*	1

*Significant at 5 % level of significance

Fig 3: Inter Component correlation Matrix among components of perceived financial risk

	F 1	F 2	F 3	F 4	F 5	F 6	Total F
F 1	1	.483*	.302*	.232*	.301*	.257*	.686*
F 2	.483*	1	.372*	.234*	.271*	.293*	.695*
F 3	.302*	.372*	1	.318*	.230*	.176*	.626*
F 4	.232*	.234*	.318*	1	.235*	.312*	.597*
F 5	.301*	.271*	.230*	.235*	1	.264*	.605*
F 6	.257*	.293*	.176*	.314*	.264*	1	.606*
Total F	.686*	.695*	.626*	.597*	.605*	.606*	1

*Significant at 5 % level of significance

Fig 4: Inter Component correlation Matrix among components of perceived Time risk

	TC 1	TC 2	TC 3	TC 4	TC 5	Total TC
TC 1	1	.621*	.327*	.367*	.368*	.711*
TC 2	.621*	1	.336*	.390*	.459*	.740*
TC 3	.327*	.336*	1	.219*	.285*	.752*
TC 4	.367*	.390*	.219*	1	.538*	.626*
TC 5	.368*	.459*	.285*	.538*	1	.679*
Total TC	.711*	.740*	.752*	.626*	.679*	1

*Significant at 5 % level of significance

Fig 5: Inter Component correlation Matrix among components of perceived Source risk

	SR 1	SR 2	Total PRV
SR 1	1	.559*	.892*
SR 2	.559*	1	.873*
Total SR	.892*	.873*	1

*Significant at 5 % level of significance

Fig 6: Inter Component correlation Matrix among components of perceived privacy risk

	PRV 1	PRV 2	PRV 3	Total PRV
PRV 1	1	.656*	.438*	.849*
PRV 2	.656*	1	.474*	.866*
PRV 3	.438*	.474*	1	.762*
Total PRV	.849*	.866*	.762*	1

*Significant at 5 % level of significance

5. Findings of the Study

The study shows significant correlations between components of various dimensions of perceived risk. It shows that inter component correlation among various components of various dimensions of perceived risk are significant at 5 percent level of significance. The study is consistent with the earlier findings by Nasir and Haider (2016) Mishra and Popli (2017), Hardia and Sharma (2013) and others.

6. Limitations

Studied topic is very new scope of research. Sample size of 400 was relatively small as compared to target population. Convenience sampling method was used. Survey method was used to reduce the limitation of questionnaire method. The study emphasised on online shopping behavior of youth of high educational institutes of Punjab only. The other

states may have different characteristics and behavior.

covers only students of high educational institutions. Further research can study other categories of respondents having different socio-economic profile and characteristics.

7. Directions for future Research

Limited six dimensions of perceived risk are studied here. The study can be extended to further dimensions. The study

References

1. Bhatnagar, Misra, S. A. And Rao, R. H., (2000), "On Risk, Convenience and Shopping Behaviour", Communications of the ACM(Association for Computing Machinery), Vol. 43, No. 11, pp 98-105.
2. Bhukya, Ramulu (2015), "The Effect of Perceived Risk Dimensions on Purchase Intention: An Empirical Evidence from Indian Private Labels Market," American Journal of Business," Vol. 30, Issue 4, pp. 218-230,
3. Cox (1967), "Risk Taking and Information Handling in Consumer Behaviour", Boston: Harvard University Press, pp 82-108.
4. Cox, D. F., and Rich, S. U. (1964), "Perceived Risk and Consumer Decision Making: The case of Telephone Shopping," Journal of Marketing Research, 1(4), pp 32-39.
5. Forsythe, S.M. and Shi, B. (2003) "Consumer Patronage and risk perceptions in Internet Shopping" Journal of Business Research, vol 56, pp 867-875
6. Gagandeep Nagra , R Gopal (2013), "An study of Factors Affecting on Online Shopping Behavior of Consumers", International Journal of Scientific and Research Publications, Volume 3, Issue 6, pp 1-4.
7. Hardia and Sharma (2013), "Empirical Study of Factors Affecting Online Shopping Amongst Youths" Global Journal of Management and Business Studies. Volume 3, Number 2 , pp. 91-96
8. Jacoby, J. and Kaplan, L.B.(1972), The components of Perceived Risk in proceedings of the Third Annual Conference of the Association for Consumer Research, Association for Consumer Research, pp 382-393
9. Jarvenpaa, S.L. and Todd, P.A., (1997) " Consumer Reactions to electronic shopping on the World Wide Web," Journal of Electronic Commerce, vol. 1, no 2, pp 59-88.
10. Jasper, C. R. and Ouellette, S. J. (1994), "Consumer's Perception of risk and the purchase of apparel from catalogs," Journal of Direct Marketing, Vol. 8 No. 2. 23-36.
11. Javadietal.(2012), "An Analysis of Factors Affecting on Online Shopping Behaviour of Consumers", International Journal of Marketing Studies; Vol.4, No.5 pp 81-98.
12. K. Sonali (2014), " A Study of Dimensions of Consumer's Perceived Risk and their Influences on Consumers Buying Behaviour", Atlas Shodh Journal of Management and Commerce, Vol. pp
13. Kumar Vinay (2014), "A Study on Perceived Risk in Online Consumer Behaviour of Youth: An Indian Perspective," (September 26, 2013), Available at SSRN 2351725, 2013 papers.ssrn.com.
14. Kumar Pawan and Bajaj Rakhi(2006), " Dimensions of Perceived Risk among students of High Educational Institutions of Punjab". Journal of Internet Banking and Commerce, November 2016, Vol. 21, No S5, pp1-22
15. Malhotra, M. and Singh, J.(2014), " Factors Affecting the Adoption of Online Shopping in Youngsters- An Empirical Study," Interdisciplinary Journal of Management and Behavioural Sciences (IJMBS), Vol 2, No 1, 44-54.
16. Mishra, S and Popli A (2015), " Factors of Perceived Risk Affecting Online Purchase Decision of Consumers", Pacific Business Review International, Vol 8, Issue 2, pp 49-58.
17. Nasir N and Haider A.(2016), "Factors Affecting Online Shopping Behaviour of Consumers in Lahore, Pakistan", Journal of Management Engineering and Information Technology, vol 3, Issue 6, pp 9-14.
18. Priyanka, S. and Saumya, S. (2014), "Determinants of Consumer's Perceived Risk in Online Shopping: A Study," Indian Journal of Marketing, pp 22-30.
19. Roselius, T. (1971), "Consumer rankings of risk reduction methods," Journal of Marketing, 35(1), pp 56-61.
20. Schiffman, L. G., and Kanuk, L. L (2004), Consumer Behaviour, 7th Edition, Prentice Hall: New Jersey.
21. Sreya R, Raveendran, P. T.(2016) ," Dimensions of Perceived Risk in Online Shopping-A Factor Analysis Approach", BVIMSR's Journal of Management Research, Vol. 8 Issue - 1 ,pp 13-18
22. Thakur A., Shabnam and Kaur R,(2017) " An Empirical Study on Consumer Trust in Online Shopping in Punjab," Indian Journal of Marketing. Vol 47, Issue(2), pp 47-59.