

Impact of Perceived Risk on Online Purchase Intentions: The Mediating Role of Digital Environment

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ABSTRACT

After going through various literature, topic has been chosen for the conceptual paper title “Impact of Perceived Risk on Online Purchase Intentions: The Mediating Role of Digital Environment”. This paper will explore the impact of perceived risk on online purchase intentions, emphasizing the mediating role of the digital environment among shoppers in Gandhinagar. The study will aim to understand how various elements of the digital interface influence consumer behavior and mitigate perceived risks associated with online shopping. Primary data will be gathered through surveys targeting individuals who would have engaged in online purchases within the past year. A combination of descriptive and inferential statistical techniques, including regression analysis, ANOVA, t-tests, and correlation analysis, will be applied to analyze the data.

The anticipated results are expected to reveal that the digital environment will serve as a crucial moderating factor, potentially reducing the negative effects of perceived risk on purchase intentions. By nurturing trust and enhancing user experience, the digital interface may create greater consumer confidence and loyalty. This paper will offer understandings into strategies that can lower perceived risk, thereby encouraging online shopping behavior. Furthermore, the study will suggest areas for future research to further enhance digital environments, boosting consumer trust and minimizing perceived risk.

LITERATURE REVIEW

Perceived risk is an important issue when studying consumer behavior, especially when it comes to online shopping. It is a person's internal assessment of the possible negative effects of an action.

Delbaere (2010) pointed out that perceived risk is the consumer's expectation of harm or negative consequences when shopping online. This includes many risks, such as product, financial, time, social, psychological, and security. Financial risk refers to the possibility of losing money or other assets while shopping online. Consumers may worry that money spent on inappropriate products or that their financial information will be stolen. Product risk refers to concerns about the performance or quality of the product being purchased. Consumers often worry about whether the product will meet their expectations or whether it will break quickly.

Security risk is particularly important in the digital age, where cybercrime is a threat. This risk includes the concern that financial and personal information, such as credit card information, may be stolen during online shopping. Time risk refers to the time and energy that will be wasted if the online business is not satisfactory. For example, if the product is delivered late or needs to be returned, the customer's time and energy are wasted.

Social risk is what makes friends and family feel bad about the things they bought. This is especially important in cultures where social skills are highly valued. Health, self-esteem and self-esteem are all aspects of mental health that can be affected. This group includes concerns such as sadness, anxiety or

dissatisfaction with shopping.

Financial Risk and Consumer Behavior

According to a study by Alhaimer, financial risk had little impact on consumer purchasing decisions during the coronavirus pandemic. This decision may be due to Kuwaiti authorities' strict monitoring of online financial transactions, which may cause consumers to worry. While Alhaimer's 2021 study is the source of financial risk in the context of the pandemic, it provides a good understanding of the relationship between financial risk and online commerce. The results show that consumers' understanding of financial risk is affected by fundamental concepts such as legality and restrictions regarding online financial transactions.

On the other hand, a study by Tham Dastane Johari and Ismail in 2019 found that consumers' willingness to shop online was negatively affected by financial risk. In other words, consumers are less likely to engage in online shopping when they perceive significant financial risk. This difference highlights the importance of context in shaping consumer behavior and attitudes.

Product Risk and Its Implications

Another important factor affecting consumers' online shopping behavior is risky products. Online shoppers may abandon the purchase due to concerns about the suitability, performance, or quality of the product. Bhatti and Rehman's (2020) study examined the relationship between perceived risk and online shopping in Pakistan and found that consumers' attitudes and behaviors toward online shopping are significantly affected by dangerous products. Their findings suggest that companies and marketers can develop strategies that successfully reduce risk and build consumer confidence. How does business risk affect consumer perceptions and decision-making processes?

Tran (2020) examined the relationship between perceived product risk appetite and online shopping intentions. The study found that product risk affects consumers' perceived behavior on the web, as well as other risks such as financial security and privacy threats. The study also found that consumers' purchase intentions are affected by perceived satisfaction and product risk, suggesting a relationship between many types of risk perception and consumer behavior. Online shopping and security. Security risks have affected the popularity of online shopping, particularly concerns about the security of financial and personal information.

Booth et al. (2015) found that consumers' negative attitudes towards personal information security are mostly influenced by concerns about personal security. Online shopping. This highlights the importance of online businesses adhering to stringent security procedures to protect customer data and increase trust. The relationship between product risk perceived satisfaction and intentions to shop online was examined by Tran (2020). Product risk was found to influence customers cognitive attitudes toward websites along with other risk dimensions like financial security and privacy threats. Additionally consumers purchase intentions were found to be influenced by perceived satisfaction and product risk demonstrating the complex relationship that exists between various types of perceived risk and consumer behavior. Internet shopping and security risks. Online shopping adoption is significantly hampered by security risk notably worries about the security of financial and personal information.

Social and Psychological Risks

Consumer behavior is influenced by social and psychological threats. Ariffin Mohan and Goh (2018) investigated how consumers' willingness to shop online is related to different types of perceived risk. According to their research, consumers' willingness to buy something online is greatly influenced by psychological time and security concerns. This suggests that consumers are less likely to engage in online

shopping when they perceive more risk.

The Influence of Online Store Image

The perceived risk of online shopping can be affected by how the online store is defined. Hong Nawi and Zulkifli (2019) examined the relationship between the reputation of the online store and found that there is a risk of online shopping. According to their research, the reputation of the online business is negatively affected by many risks, such as after-sales problems, psychological problems, the relationship between products, money and time, or simple problems. This means that good reviews from online sellers can reduce perceived risks and increase consumer trust in online shopping.

The effects of psychological variables, government intervention, and social risk among online shoppers have been studied extensively. Social risk, including social stigma and concerns about negative social consequences, has been shown to significantly influence people's online shopping behavior (Bhatti and Rehman 2019). This suggests that companies need to address social risk issues to attract and retain online customers. Prastiwi and Fitria (2021) investigated how psychological factors and risk perception affect consumers' online purchasing decisions. The findings showed that consumers' perceived risk had little impact on their purchasing decisions, and psychological issues also had a small impact. This suggests that there may be other factors that have a greater impact on how people shop online.

Product risk also influences how consumers think and act when shopping online. It affects their purchase intentions, knowledge, and attitudes. However, depending on the context and the customer, the impact of product risk on online shopping perceptions can vary. This variation highlights the need for a deeper understanding of the different risk factors affecting different groups of online shoppers. Perceived threats have an impact on online shopping. Consumer anxiety and stress can prevent them from making purchases or cause them to choose popular brands with good brands over unknown brands. Understanding these risks is important for online sellers and marketers who want to build trust among their target audience and grow their business.

Online shopping habits and behaviors have changed due to the COVID-19 pandemic. Alhaimer (2021) examined these changes and found that users' perceptions of online shopping during the pandemic were not affected by financial risk. This finding is interesting because it contradicts previous studies such as Masoud (2013) who argued that financial risk reduces consumers' consideration of online stores.

When the pandemic occurs, many factors will cause customers to change. Since quarantine and social distancing measures have made consumers dependent on online shopping, they will be willing to take financial risks. In addition, retailers are rapidly adopting secure payment methods, and the development of online commerce will lead to financial concerns.

The perception of security and trustworthiness of online stores is one of the factors that influences consumer's willingness to purchase, which means that they are more likely to purchase after evaluating. *Laroche et al. 1996 Salisbury et al. [2001]. Research shows that consumers often have to deal with uncertainties that can affect their purchasing decisions, such as the possibility of fraud and data breach (Li et al., 2017). and Zhang and Prybutok (2003) 2007). Purchases and customer loyalty can be increased by providing satisfactory services (Yang and Jun 2002 Zhu et al. 2019).

Impact on Online Purchase Intention

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Salisbury et al. [2001]. Research shows that consumers often have to deal with uncertainties such as the possibility of fraud and data breaches that can affect their purchasing decisions (Lee et al., 2014). and Zhang and Prybutok (2003) 2007). Purchases and customer loyalty can be increased by providing satisfactory services (Yang and Jun 2002 Zhu et al. 2019).

Risk Perception in Online Purchases

Online shopping intentions are influenced by perceived risk, and consumers generally believe that online shopping is riskier than physical stores (Kamalul Ariffin et al. 2018). Uncertainty regarding product quality and financial loss are two factors that influence this perception (Almoussa 2014). Online shopping can be influenced by many perceived risks, including security, social, and psychological risks associated with financial products (Cunningham et al. 2005 Flavius 2005).

Factors Influencing Online Purchase Intention

1. Financial Risk: When it comes to online shopping consumers may be discouraged by worries about financial loss (Aboobucker 2019). Confidence in well-known brands can lessen these dangers (Hong et al. 2019).

2. Product Risk: The inability to examine products in person gives rise to questions regarding their caliber (Han and Kim 2017). Detailed product descriptions can allay these concerns (Ariff et al. 2014).

3. Security Risk: Concerns regarding the privacy of personal data during online transactions can erode customer confidence (Sudibyo et al. 2020). Strong security protocols are essential for building trust (Arshad et al. (2015)).

4. Risk of late delivery: Customers may choose well-known brands that offer speedier service due to potential delivery delays (Hong et al. 2019).

5. Social Risk: Customers purchasing decisions may be influenced by worries about their social acceptance because they may be afraid of their peers unfavorable opinions (Han and Kim 2017).

6. Psychological Risk: Consumer confidence may suffer if they are not happy with their online shopping experience (Sudibyo et al. 2020). Good online experiences improve customer satisfaction (Hong et al. (2019)).

The Role of Digital Environment

Online shopping behavior is often influenced by the reliability and design of the website (Loiacono et al. Shiekh and Aziz 2021 2007 p. Good website design has been shown to increase customer satisfaction and trust (Bai et al. (2008)).

Consumers' risk perceptions and purchase intentions are also influenced by factors such as digital literacy and network infrastructure (Gracia & De Magistris 2007). Information and marketing content should be included in the design of e-commerce platforms to create a comfortable environment for customers (Liu et al. 2000). Website quality is associated with improved user experience, which affects the purchase process (Kim and Lim 2001).

Online retailers looking to increase customer demand need to understand the dangers and complexities of the digital environment. By paying attention to these features, companies can develop more effective e-commerce systems that increase customer satisfaction and trust.

In summary, consumer behavior when shopping online is mostly influenced by perceived risk. It is important for online retailers and marketers to understand all aspects of perceived risk, including product safety, physical, social and psychological harm. By addressing these issues with solutions, businesses

can increase customer trust and confidence, which can lead to online success. With the emergence of the COVID-19 pandemic, consumers' perception has changed, indicating the need to improve and change online business. As a result, consumers' attitudes and behaviors towards online shopping are greatly affected by perceived risk. Businesses should consider financial, product, security, time, social and psychological risks. By understanding and mitigating these risks, online retailers and marketers can develop effective strategies to build trust, reduce perceived risk and encourage users to do more online. Changing consumer behavior during the COVID-19 pandemic has revealed the need to improve and transform the digital environment and online shopping experience. Analysis of the digital environment can identify various interactions that could potentially pose a threat.

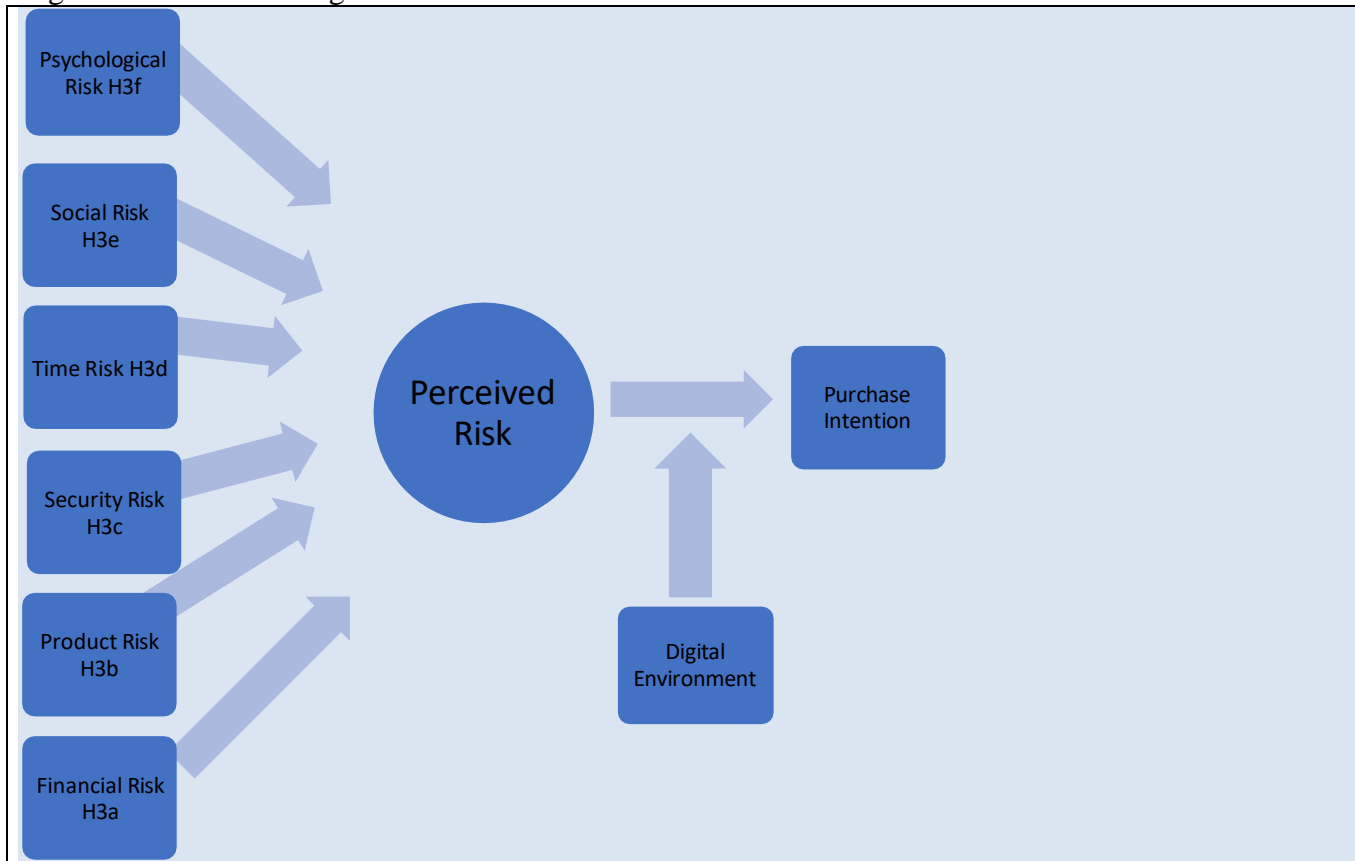
Conceptual Structure

Figure 1 shows the decision-making model of this study based on previous research. Dai et al. Hazardous materials, financial risks, and privacy risks. They reported the impact of these factors on consumers' online shopping behavior in their model (2014). The results showed that privacy risk did not have a significant impact on online shopping, so this study only focused on financial and product risk.

Masoud (2013) studied the e-commerce scenario in Jordan and found that social, physical and security threats are important factors in consumers' online shopping purchase decisions. Also, Jacoby and Kaplan (1972) showed that psychological risk has a negative impact on online shopping.

The theoretical framework of this study incorporates these insights by focusing on the relevant issues that affect online shopping behavior as shown in Figure 1.

Figure: 1 Decision Making Model



Methodology

This study will use a survey-based approach to measure variables such as financial risk, security risk, product risk, time risk, psychological risk, and online shopping intentions. The questions will be developed based on a comprehensive review of the literature as described below. We will adapt the financial and security risk assessment by Featherman and Pavlou (2003) and Masoud (2013). Each building has five items in the questionnaire to ensure accuracy and precision.

The method used in this study can help understand the relationship between consumers' online shopping needs and perceived risk. This study adopted a survey-based approach and aimed to investigate whether online shoppers perceive various risks associated with their purchases.

The questions will be carefully prepared from a variety of materials to capture the nuances of various risks. For example, the product developed by Dai et al. financial risk and security risk will be measured by Masoud (2013) and (2014) and will focus on what consumers perceive as risks associated with online shopping. Also the product developed by Marcelo et al. and Masoud (2013). The study will be used to assess psychological and physical risks. Questionnaire developed by Fihartini et al. (2021) To have a better understanding, the study will also take into account variables such as health characteristics. This will help clarify the influence of factors such as age, gender, occupation, level of online shopping, etc. on the relationship between risk and desire to buy something.

Participant responses will be collected using a Likert scale, which provides a good way for participants to indicate whether they agree or disagree with each item. This approach facilitates an examination of their thoughts and feelings about the risks and motivations associated with online shopping.

The Digital environment

To study Digital Environment we will categories it into following factor study from the existing study of Najah Salamah(2024) on website quality and website privacy and trust issues will be explored from the study of Yanbin Ni (2024). Advancement of technology and social media be factored from the study of Ștefan-Ionuț ANGHEL, Florin Alexandru STAN (2024) and Samir Yerpude (2023). Website usability and convenience, accessibility, and a vast array of product choices will be explored more from the journal article of Ayush Tiwari (2023). The vast reachability of ecommerce can be explored from the study of Vlada Sajin, Andreea Sajin, Ionela Țvigun (2024) and convenience, customization, security/privacy, web appearance, and entertainment value was very well explored by Jung-Hwan Kim, Minjeong Kim, Jay Kandampully in 2011, its time to study them again after the covid times and digital advancements. Paperless transactions, reducing waste, and altering consumer behavior towards increased purchasing can be studied further after the study of Sunita Tiwari, Pratibha Singh (2011).

The collected data will be analyzed using Statistical Analysis Software (SPSS) version 24. The mean and standard deviation are shown for each variable. We will also evaluate hypotheses and determine the relationship between variables using inferential statistical methods such as regression and correlation analysis.

Using this rigorous approach, the study hopes to uncover the relationship between perceived risk (financial security, physical, social and emotions) and online shopping intentions. By understanding these changes, businesses and policy makers can develop strategies to reduce risk, increase consumer confidence and create a sustainable environment for online commerce in Gandhinagar.

Conclusion

This study concludes by providing important insights into how consumers think and act about different risks encountered in online shopping, which will be followed by Reflections. The completion of the process, which included survey-based data collection and qualitative data analysis, has yielded some important findings.

This study can reveal the potential impact of the digital environment on online shopping. These results have important implications for online retailers who may focus on designer branding. By addressing specific issues such as financial risk and public product offerings, companies can increase consumers' trust and confidence in online commerce. Quality control policies and procedures. Similarly, policymakers can use these insights to develop intervention plans to promote safe online shopping.

However, it is important to be aware of the issues raised by this study. Due to the simple sampling and reliance on small samples, the results may not be generalizable to a wider range of Internet users, which may introduce biases that need to be investigated.

Future studies could use larger samples and larger sample sizes to increase the representativeness and robustness of the findings. Other factors or concepts that need to be considered, such as culture or new technology, may provide insight into how online shopping is done.

This study adds value to the existing body of knowledge on online shopping behavior. Future research can better understand the relationship between perceived risk and online purchase intentions by acknowledging the limitations of this relationship and expanding its research. This will ultimately support the growth and sustainability of online stores and other businesses.

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