

# The Effect of Financial Risk and Convenience Risk on Online Shopping Behavior with the Moderating Role of Trust

Anam Bhatti<sup>1</sup>, Dr. Shahrin Saad<sup>2</sup>, Dr. Salimon Maruf Gbadebo<sup>3</sup>

Department of Business Management, Universiti Utara Malaysia, Sintok, Malaysia<sup>1</sup>  
Email: [Anambhatti1992@gmail.com](mailto:Anambhatti1992@gmail.com)

Senior Lecturer School of Business Management, Universiti Utara Malaysia<sup>2</sup>  
Visiting Lecturer School of Business Management, Universiti Utara Malaysia<sup>3</sup>

**Abstract:** The progress of internet has increased the popularity of online shopping in whole world. In Pakistan it was reported that online shopping market size is \$70 to \$150 and expected to grow 1 billion in 2020. From this conceptual study it is possible to determine that there is still opportunity to recognize and explain consumer behavior and theoretical model and empirical application of this research is one of them, because currently number of people hesitant to buy through internet due to risk concerns and they consider online shopping as a riskiest shopping as compare to other way to shop. This study intends to determine the relationship between financial risk, convenience risk and online shopping behavior with trust as a moderator. Many studies investigated financial risk, convenience risk and online shopping behavior but ignore trust as a moderator. E-commerce in Pakistan facing lot of issues because of these issues online shopping is very low. Therefore, in present study reveal a framework that consist of some risks, if these risks investigated empirically and built trust then online shopping can enhance.

**Keywords:** Financial risk, convenience risk, trust, online shopping behavior

## 1. INTRODUCTION

Nowadays, in modern era internet introduce new modes to facilitate people; it is become irreplaceable in our life. Internet has introduced different and easy method for consumer to shop online and internet usage increasing day by day for different purposes such as searching information, review prices, comparing products, products selection, buying products and payments online via using credit cards. In last decade's internet change the global market and also change the exchanging products and services [1] that's why growth of internet has increase the popularity of online shopping and online shopping become third most important activity in whole world after e-mailing/instant messages and web browsing [2, 3]. Online shopping behavior of consumer is most important agenda in e-commerce in past few years [4]. In developed countries internet growth very vast and fast but in developing countries still at initial stage, in Pakistan online shopping introduced in 2000 [5]. Online shopping is a process of buying products through internet and same like traditional shopping behavior online shopping behavior is also consist on five steps [6, 7]. In these steps first step problem recognition, second step information search, third step evaluations of alternatives, fourth step purchase decision and fifth step post purchase behavior [8].

No doubt online shops have many advantages over physical store but at the same time there are number of risk consumer perceive and this reason restrict them to avoid online shopping. Moreover, risks are uncertain and uncertainty associate with online shopping in the form of challenges. Number of factors are identifies across the world by researchers that effect on consumer behavior who shop

online [9]. In the context of Pakistan, online users face financial problem and this problem occurs due to lots of dangerous issues such as insecure payments and transaction system, insecurity regarding credit/debit card, no warranties, lack of data protection, no standards of the product, hacking passwords, and technological problems that leads to the negative influence of online shopping behaviors [10-13]. Moreover, in the context of Pakistan online users face some issues regarding convenience risk such as privacy policy, IT infrastructure, difficulty face in finding exact product, lack of awareness regarding technology, delay in the shipping, language barrier that leads to negative influence on online shopping behavior [11-17]. Hence, online shopping users face some risks that have negative impact in the minds of consumers.

Trust plays a significant role in online shopping behavior [18]. Moreover, it is an important predictor that plays a role to make relationship between online consumer and online retailer and online shopping [19, 20]. In the context of Pakistan, online users face some issues due to lack of trust such as hacking information, lack of awareness of technology, passwords, and trust issues at the time of purchasing goods thorough internet [10-13, 15]. According to Lee and Turban [21], the main reason to avoid purchasing goods via internet is the lack of trust among users regarding online shopping. Some of the prior researchers investigated the relationship between trust and online shopping behavior. Findings revealed that trust has positive and significant impact on online shopping behavior [22-24].

## 2. LITERATURE REVIEW

### 2.1 Financial risk and online shopping behavior

Risk is emotional feelings that cannot measured objectively, In online shopping primary risk for consumers is financial risk means to loss their credit card or any other way to lose money. Financial risk is a potential net loss of money or monitory term from buying [25-28]. Financial risk play significant role in decision making who shop online because financial risk pose threats in consumers' mind which leads negative effect on consumer behavior [29]. Furthermore, it is identified that online shopping decision has number of risks that effect consumer behavior and these risk create number of problems moreover, it is also include insecurity of credit card which become major obstacle in online shopping [7, 30]. It is most important risk in perceived risks [26, 31-37]. Although, consumers feel worry with credit card usage to hack personal information so, to safe themselves consumer prefer alternatives for payment for instance in Pakistan 97% people use cash on delivery method for online shopping [38]. In previous studies show that fear of credit card fraud is one of the most invoked concern in online shopping [39]. Hence, with the significant internet and online shopping growth risk also becoming frequently and negatively affect [40].

Some of the prior studies examined the relationship between financial risk and online shopping behavior. Findings elucidated that there are significant and negative influence of financial risk with online shopping behavior [7, 12, 14, 41-44]. Despite this, there are some studies concludes that there is insignificant influence of financial risk on online shopping behavior [45, 46]. The relationship between financial risk and online shopping behavior is inconclusive and there is need to add another variable between financial risk and online shopping behavior. In current study, we are using trust as moderating variable between financial risk and online shopping behavior. There is need to study the influence of financial risk on online shopping behavior with moderating role of trust in developing countries [47]. Moreover, there are some prior studies that suggests to study the impact of financial risk on online shopping behavior in future studies [44, 46, 48-51].

H<sub>1</sub>: Financial risk has negative influence on online shopping behavior

H<sub>2</sub>: Trust moderate the relationship between financial risk and online shopping behavior

### 2.2 Convenience risk and online shopping behavior

It is very difficult to find right product which birth lot of problems, fears, and threats in consumer mind, consumer often set their perception that they face difficulty in order placing or if they order once difficulty in cancelation and somehow delay in shipping or return issue [42]. Potential loss of time when they search product, compare with another product of another company it is quit irritating for people

and they avoid purchasing online because mostly people are not aware from technology they do not know how to operate and how to place order online, unfortunately less than 1% of whole population of Pakistan is internet [52]. When consumer perception will high about risk then it is very troublesome for them to perform specific online shopping behavior [53]. These inconvenience high due to absence of trust in judgment of online shopping, convenience risk negatively effect on online shopping behavior [14, 42]. Despite this, there are some studies concludes that there is insignificant influence of convenience risk on online shopping behavior [12, 54]. As above studies mentioned that there are inconclusive results between convenience risks and online shopping behavior. There is need to add another variable between convenience risk and online shopping behavior. In current study, we are using trust as moderating variable between convenience risk and online shopping behavior. There is need to study the influence of convenience risk on online shopping behavior with moderating role of trust in developing countries [47]. Moreover, there are some Previous researchers recommends that there is need to study the impact of convenience risk on online shopping behavior [44, 51, 53, 55].

H<sub>3</sub>: Convenience risk has negative influence on online shopping behavior

H<sub>4</sub>: Trust moderate the relationship between convenience risk and online shopping behavior

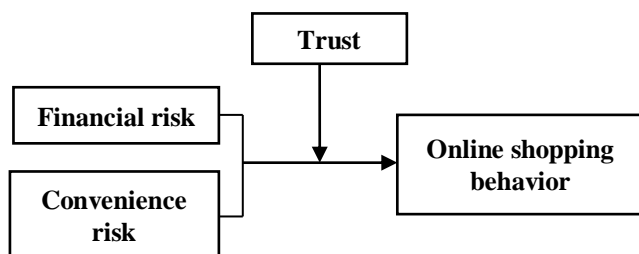
### 2.3 Trust and online shopping behavior

Online shopping is a quit risky and challenging way to shop because when consumer buy some product they believe on seller but in online shopping seller is absent so in the absence of seller buy something is quite risky and challenging for consumers. So if level of trust will high risk can be minimize and online shopping behavior or people can be improve and they will be encourage to shop online [56]. Trust is crucial factor in the success of online business and it is positive expectancy from buyer behavior [57]. There are number of factors that effect on online shopping behavior and trust is one of the major factor that are obstructing online shopping is the lack of consumer' trust in shopping through internet [58]. Trust can be construct in specific and certain time [59]. Meanwhile trust is consider as an important factor in online shopping because many risks people face during online shopping [60]. In online shopping number of risks and low trust because of lack of face to face communication [46]. In these insecure situations trust becomes an essential and crucial factor in choosing an online vendor and due to trust risks can be minimize [7, 61]. Researches show that trust is becoming most important of online shopping in future [62]. Researcher recommend that trust should be examined in future study [7]. Moreover, trust has significant and positive influence on online shopping behavior [22-24]. There is need to study trust with online shopping behavior in developing countries in future studies [44].

H<sub>5</sub>: Trust has significant and positive influence on online shopping behavior

#### 2.4 Theory of planned behavior (TPB) and social exchange theory (SET)

In this research, theoretical framework developed on the basis of two theories. The first one is TPB theory, and the second one is SET theory. According to Taylor and Todd [63] TPB theory is the best one that explains the behavior of consumer very well. Most of the prior researchers uses TPB theory in explaining the behavior of online consumers [64-69]. TPB theory is best one to predict the behavior of consumer but have some limitations as it ignores the element of treat, fear or risk and online behavior of consumers also depends on risk or fear, treat [70]. Furthermore, TBP theory ignores the element of trust and trust is most significant factor that influence on online shopping behavior of consumers. In current research, the second theory is the SET theory that uses to explain the theoretical framework. Social exchange entails some uncertainty levels, and risk [71], a great deal of social exchange research has focused on the implications of exchanges under these conditions and how uncertainty and risk can be reduced or mitigated. While consumer purchase goods by using internet having some risk and uncertainty that leads to negative impact on online shopping behavior and a positive intention toward transaction behavior can be created to build trust between exchangers [72]. One of the recent studies suggested use SET theory to predict the relationship between perceived risk and online shopping behavior [51].



Theoretical Framework

#### 3. CONCLUSION

Risks and uncertainties are affected on consumer behavior; the framework uses two risks that involve financial risk, convenience risk. From past literature I has review and highlight that in Pakistan consumer feel hesitate and fear to buy online due to uncertainty and fear when they give personal and credit card information they feel threat to hack or misuse their personal information, and fear when they buy product it might be take long time and problem in order placing. Our review of literature shows that financial risk and convenience risk are major factor that effect online shopping behavior. we suggest that if focus on these risks and build trust then online shopping can be enhance in developing countries like Pakistan. Thus, this study shows

that there is still a big opportunity to understand online shopping behavior. Therefore need empirical application of this research. Future research can study the influence of perceived risk on online shopping behavior by using trust as moderating variable with the help of social exchange theory and theory of planned behavior.

#### REFERENCES

1. Popli, A. and S. Mishra, Factors of Perceived Risk Affecting Online Purchase Decisions of Consumers. *Pacific Business Review International*, 8 (2), 49, 2015. 58.
2. Lian, J.-W. and T.-M. Lin, Effects of consumer characteristics on their acceptance of online shopping: Comparisons among different product types. *Computers in Human Behavior*, 2008. 24(1): p. 48-65.
3. Li, N. and P. Zhang, Consumer online shopping attitudes and behavior: An assessment of research. *Former Departments, Centers, Institutes and Projects*, 2002: p. 57.
4. Chen, Y.-H., I.-C. Hsu, and C.-C. Lin, Website attributes that increase consumer purchase intention: A conjoint analysis. *Journal of business research*, 2010. 63(9): p. 1007-1014.
5. Khan, S.H. and M.Z. Arshad, Why E-Commerce Remains Unsuccessful in Pakistan?
6. Liang, T.-P. and H.-J. Lai. Electronic store design and consumer choice: an empirical study. in *System Sciences*, 2000. *Proceedings of the 33rd Annual Hawaii International Conference on*. 2000. IEEE.
7. Masoud, E.Y., The effect of perceived risk on online shopping in Jordan. *European Journal of Business and Management*, 2013. 5(6): p. 76-87.
8. Kotler, P. and K.L. Keller, Identifying market segments and targets. *Marketing management*, 12th edition, Pearson Education Singapore, 2006. 234.
9. Davis, F.D., User acceptance of information technology: system characteristics, user perceptions and behavioral impacts. *International journal of man-machine studies*, 1993. 38(3): p. 475-487.
10. Nazir, S., et al., How Online Shopping Is Affecting Consumers Buying Behavior in Pakistan? *International Journal of Computer Science Issues*, 2012. 9(3): p. 486-495.
11. Qureshi, H.A., R. Fatima, and A. Sarwar, BARRIERS TO ADOPTION OF ONLINE SHOPPING IN PAKISTAN. *Science International*, 2014. 26(3).
12. Tariq, A., B. Bashir, and M.A. Shad, Factors affecting online shopping behavior of consumers in Pakistan. *Journal of Marketing and Consumer Research*, 2016. 19.
13. ur Rehman, K., et al. Examining online purchasing behavior: A case of Pakistan. in *2011 International Conference on Social Science and Humanity*, Singapore, IPEDR. 2011.

14. Haider, A. and N. Nasir, Factors Affecting Online Shopping Behavior of Consumers in Lahore, Pakistan. 2016.
15. Khan-Szabist, S.H. and S.Z. Arshad-Szabist, Why E-Commerce Remains Unsuccessful in Pakistan? 2010.
16. WTO, Pakistan digital economy: National perspective on bridging the digital divide 2017.
17. Aijaz, H. and F.S. Butt, Barriers in the development of electronic commerce: A study of Pakistani environment. 2009.
18. Khan, F., et al., Impact of Trust on Online Shopping: A Systematic Review of Literature. *Journal of Advanced Review on Scientific Research*, 2015. 8(1): p. 1-8.
19. Tariq, A.N. and B. Eddoudi, Assessing the effect of trust and security factors on consumers' willingness for online shopping among the urban Moroccans. *International Journal of Business and Management Science*, 2009. 2(1): p. 17.
20. Eri, Y., M.A. Islam, and K.A.K. Daud, Factors that influence customers' buying intention on shopping online. *International Journal of marketing studies*, 2011. 3(1): p. 128.
21. Lee, M.K. and E. Turban, A trust model for consumer internet shopping. *International Journal of electronic commerce*, 2001. 6(1): p. 75-91.
22. Akroush, M.N. and M.M. Al-Debei, An integrated model of factors affecting consumer attitudes towards online shopping. *Business Process Management Journal*, 2015. 21(6): p. 1353-1376.
23. Lim, Y., et al., The Mediating Effect of Consumers' Purchase Intention: A Perspective of Online Shopping Behavior among Generation Y. *Journal of Marketing and Consumer Research*, 2015. 18: p. 101-112.
24. Dost, B., M. Ilyas, and C.A. Rehman, Online Shopping Trends and Its Effects on Consumer Buying Behavior: A Case Study of Young Generation of Pakistan. *NG-Journal of Social Development*, 2015. 417(3868): p. 1-22.
25. Horton, R.L., The structure of perceived risk: Some further progress. *Journal of the Academy of Marketing Science*, 1976. 4(4): p. 694-706.
26. Jacoby, J. and L.B. Kaplan, The components of perceived risk. *ACR Special Volumes*, 1972.
27. Peter, J.P. and L.X. Tarpey Sr, A comparative analysis of three consumer decision strategies. *Journal of consumer research*, 1975. 2(1): p. 29-37.
28. Sweeney, J.C., G.N. Soutar, and L.W. Johnson, The role of perceived risk in the quality-value relationship: a study in a retail environment. *Journal of retailing*, 1999. 75(1): p. 77-105.
29. Barnes, S.J., et al., Segmenting cyberspace: a customer typology for the internet. *European journal of marketing*, 2007. 41(1/2): p. 71-93.
30. Maignan, I. and B.A. Lukas, The nature and social uses of the Internet: A qualitative investigation. *Journal of Consumer Affairs*, 1997. 31(2): p. 346-371.
31. Cunningham, M.S., The major dimensions of perceived risk. *Risk taking and information handling in consumer behavior*, 1967.
32. Bhatnagar, A., S. Misra, and H.R. Rao, On risk, convenience, and Internet shopping behavior. *Communications of the ACM*, 2000. 43(11): p. 98-105.
33. Crespo, A.H., I.R. del Bosque, and M.G. de los Salmones Sanchez, The influence of perceived risk on Internet shopping behavior: a multidimensional perspective. *Journal of Risk Research*, 2009. 12(2): p. 259-277.
34. Peter, J.P. and M.J. Ryan, An investigation of perceived risk at the brand level. *Journal of marketing research*, 1976: p. 184-188.
35. Ingene, C.A. and M. Hughes, Risk management by consumers. *Research in consumer behavior*, 1985. 1: p. 103-158.
36. Candra, R.M. and N.A. Iahad, Analysis of Consumer Risk Perception on Online Auction Features. 2013, Universiti Teknologi Malaysia.
37. Zhang, L., et al., Dimensions of consumers' perceived risk and their influences on online consumers' purchasing behavior. *Communications in Information Science and Management Engineering*, 2012. 2(7).
38. PTA. PTA (Pakistan Telecommunication Authority) Annual report 2014. 2014, Feb 04; Available from: <http://www.pta.gov.pk/annual-reports/ptaannrep2013-14.pdf>.
39. Saprikis, V., A. Chouliara, and M. Vlachopoulou, Perceptions towards online shopping: Analyzing the Greek university students' attitude. *Communications of the IBIMA*, 2010.
40. Paul, P., Marketing on the Internet. *Journal of Consumer Marketing*, 1996. 13(4): p. 27-39.
41. Egel, L.S. and J.A. Joseph, Shopping cart abandonment in online shopping. *Atlantic Marketing Journal*, 2012. 1(1): p. 1.
42. Forsythe, S., et al., Development of a scale to measure the perceived benefits and risks of online shopping. *Journal of interactive marketing*, 2006. 20(2): p. 55-75.
43. Almousa, M., Perceived Risk in Apparel Online Shopping: A Multi Dimensional Perspective/LE RISQUE PERÇU DANS DES ACHATS EN LIGNE D'HABILLEMENT: UNE PERSPECTIVE DE DIMENSIONNELLE MULTIPLE. *Canadian Social Science*, 2011. 7(2): p. 23.
44. Bhatti, A., S. Saad, and S.M. Gbadebo, Convenience Risk, Product Risk, and Perceived Risk Influence on Online Shopping: Moderating Effect of Attitude Science Arena Publications International journal of Business Management, 2018. 3(2).
45. Arshad, A., et al., The Impact of Perceived Risk on Online Buying Behavior. *International Journal of New Technology and Research (IJNTR)* ISSN, 2015: p. 2454-4116.
46. Mamman, H., M. Maidawa, and M. Saleh, Effects of Perceived Risk on Online Shopping. 2015.

47. Bhatti, A., S. Saad, and S.M. Gbadebo, Convenience Risk, Product Risk, and Perceived Risk Influence on Online Shopping: Moderating Effect of Attitude. Science Arena Publications International journal of Business Management, 2018. 3(2): p. 1-11.
48. Chaudary, S., M.A. Rehman, and S. Nisar, Factors influencing the acceptance of online shopping in pakistan. 2014.
49. Keating, B.W., A.M. Quazi, and A. Kriz, Financial risk and its impact on new purchasing behavior in the online retail setting. *Electronic Markets*, 2009. 19(4): p. 237-250.
50. Shahzad, H., Online Shopping Behavior. 2015.
51. Bhatti, A., Consumer Purchase Intention Effect on Online Shopping Behavior with the Moderating Role of Attitude. *International Journal of Academic Management Science Research (IJAMSR)*, 2018. 2(7): p. 44-50.
52. Aijaz, H. and F.S. Butt, BARRIERS IN THE DEVELOPMENT OF ELECTRONIC COMMERCE: A STUDY OF PAKISTANI ENVIRONMENT. 2009.
53. Ariff, M.S.M., et al. Consumer Perceived Risk, Attitude and Online Shopping Behaviour; Empirical Evidence from Malaysia. in *IOP Conference Series: Materials Science and Engineering*. 2014. IOP Publishing.
54. Abrar, K., M. Naveed, and M.I. Ramay, Impact of Perceived Risk on Online Impulse Buying Tendency: an Empirical Study in the Consumer Market of Pakistan. *Journal of Accounting & Marketing*, 2017. 6(3).
55. Chang, Y.-h., The Importance of e-Convenience in Modern Day e-Commerce. 2010.
56. Bidad, F., MAIN FACTORS IN ONLINE SHOPPING BEHAVIOR IN IRAN. 2017.
57. Gefen, D. and D.W. Straub, Consumer trust in B2C e-Commerce and the importance of social presence: experiments in e-Products and e-Services. *Omega*, 2004. 32(6): p. 407-424.
58. Gefen, D., E. Karahanna, and D.W. Straub, Trust and TAM in online shopping: An integrated model. *MIS quarterly*, 2003. 27(1): p. 51-90.
59. Fam, K.S., T. Foscht, and R.D. Collins, Trust and the online relationship—an exploratory study from New Zealand. *Tourism Management*, 2004. 25(2): p. 195-207.
60. Van der Heijden, H., T. Verhagen, and M. Creemers, Understanding online purchase intentions: contributions from technology and trust perspectives. *European journal of information systems*, 2003. 12(1): p. 41-48.
61. Mayer, R.C., J.H. Davis, and F.D. Schoorman, An integrative model of organizational trust. *Academy of management review*, 1995. 20(3): p. 709-734.
62. Wang, Y.D. and H.H. Emurian, An overview of online trust: Concepts, elements, and implications. *Computers in human behavior*, 2005. 21(1): p. 105-125.
63. Taylor, S. and P.A. Todd, Understanding information technology usage: A test of competing models. *Information systems research*, 1995. 6(2): p. 144-176.
64. Bhattacharjee, A., Acceptance of e-commerce services: the case of electronic brokerages. *IEEE Transactions on systems, man, and cybernetics-Part A: Systems and humans*, 2000. 30(4): p. 411-420.
65. Lee-Partridge, J.E. and P.S. Ho. A retail investor's perspective on the acceptance of Internet stock trading. in *System Sciences*, 2003. Proceedings of the 36th Annual Hawaii International Conference on. 2003. IEEE.
66. Hsu, M.-H. and C.-M. Chiu, Predicting electronic service continuance with a decomposed theory of planned behaviour. *Behaviour & Information Technology*, 2004. 23(5): p. 359-373.
67. Shih, Y.-Y. and K. Fang, The use of a decomposed theory of planned behavior to study Internet banking in Taiwan. *Internet research*, 2004. 14(3): p. 213-223.
68. Ramus, K. and N. Asger Nielsen, Online grocery retailing: what do consumers think? *Internet research*, 2005. 15(3): p. 335-352.
69. Wu, S.-I., A comparison of the behavior of different customer clusters towards Internet bookstores. *Information & Management*, 2006. 43(8): p. 986-1001.
70. Models, B.C. The Theory of Planned Behavior: Limitations of the Theory of Planned Behavior. 2016, April 28; Available from: <http://sphweb.bumc.bu.edu/otlt/MPH-Modules/SB/BehavioralChangeTheories/BehavioralChangeTheories3.html>.
71. Molm, L.D., N. Takahashi, and G. Peterson, Risk and trust in social exchange: An experimental test of a classical proposition. *American Journal of Sociology*, 2000. 105(5): p. 1396-1427.
72. Hsu, C.-W., C.-P. Yin, and L.-T. Huang, Understanding Exchangers' Attitudes and Intentions to Engage in Internet Bartering Based on Social Exchange Theory (SET) and the Theory of Reasoned Action (TRA). *International Journal of Business and Information*, 2017. 12(2): p. 149.