

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

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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 be measured objectively. In online shopping, primary risk for consumers is financial risk, which means the loss of their credit card or any other way to lose money. Financial risk is a potential net loss of money or monetary term from buying [25-28]. Financial risk plays a significant role in decision making when shopping online because financial risk poses threats in consumers' minds, which leads to a negative effect on consumer behavior [29]. Furthermore, it is identified that online shopping decisions have a number of risks that affect consumer behavior, and these risks create a number of problems. Moreover, it also includes insecurity of credit cards, which become a major obstacle in online shopping [7, 30]. It is the most important risk in perceived risks [26, 31-37]. Although, consumers feel worried with credit card usage to hack personal information so, to save themselves, consumers prefer alternatives for payment. For instance, in Pakistan, 97% of people use cash on delivery as a method for online shopping [38]. In previous studies, it is shown that the fear of credit card fraud is one of the most invoked concerns in online shopping [39]. Hence, with the significant growth of the internet and online shopping, the risk is also becoming frequent and negatively affects [40].

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

H₁: Financial risk has a negative influence on online shopping behavior

H₂: Trust moderates the relationship between financial risk and online shopping behavior

2.2 Convenience risk and online shopping behavior

It is very difficult to find the right product, which is a lot of problems, fears, and threats in the consumer's mind. Consumers often set their perception that they face difficulty in ordering or if they order, once they face difficulty in cancellation and somehow delay in shipping or return issues [42]. Potential loss of time when they search for a product, compare it with another product of another company, it is quite irritating for people

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

H₃: Convenience risk has a negative influence on online shopping behavior

H₄: Trust moderates the relationship between convenience risk and online shopping behavior

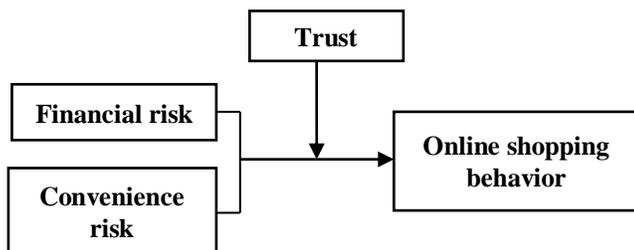
2.3 Trust and online shopping behavior

Online shopping is a quite risky and challenging way to shop because when consumers buy some product, they believe in the seller, but in online shopping, the seller is absent, so in the absence of the seller, buying something is quite risky and challenging for consumers. So if the level of trust is high, the risk can be minimized and online shopping behavior or people can be improved, and they will be encouraged to shop online [56]. Trust is a crucial factor in the success of online business, and it is a positive expectancy from buyer behavior [57]. There are a number of factors that affect online shopping behavior, and trust is one of the major factors that are obstructing online shopping, which is the lack of consumer's trust in shopping through the internet [58]. Trust can be constructed in a specific and certain time [59]. Meanwhile, trust is considered as an important factor in online shopping because many risks are faced during online shopping [60]. In online shopping, a number of risks and low trust are because of the 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 minimized [7, 61]. Researches show that trust is becoming the most important of online shopping in the future [62]. Researchers recommend that trust should be examined in future studies [7]. Moreover, trust has a significant and positive influence on online shopping behavior [22-24]. There is a need to study trust with online shopping behavior in developing countries in future studies [44].

H₅: 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.

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