

## A STUDY ON THE FINANCIAL RISKS AND BENEFITS OF ONLINE SHOPPING BY THE CUSTOMER

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### ABSTRACT

The purpose of this study is to investigate the effect of consumers' financial risk and benefits of online shopping. It is a form of electronic commerce. Using an Internet web browser the consumers can directly buy goods or services from a seller. It is very interesting to know the process of online shopping. If the shopper decides to purchase a product, he can send it into the online cart, by clicking the "send" button. A consumer prefers to be in his comfort zone while making a purchase of product, through online shopping websites. Online shopping in its early stages, was a simple medium for shopping with fewer options. The users can just place an order and pay, cash on delivery. But, in the last few years, this field has been renovated to a high extent and hence, fascinated many customers. Few of the Online E - Commerce Portals is, **Mydala, Deals and You, Amazon.com**. Financial risk means, loss of money. Especially in terms of online shopping, loss of money incurred, is due to poor product or service choice, or bad purchase or fraud. Financial risk is the perceived financial concern, resulting from a shopping activity (Dr. Rajesh wary G and Ms. Samira Sayed). Financial benefits are the advantages or profits, gained by the consumer in online shopping. There are many cheap deals and better prices, on products available online. The reason is, there is no involvement of the middleman. Product comes directly, from the manufacturer. According to **Bo Dai Forsythe (2015)**, in his study about "The impact of online shopping experience on risk perceptions and online purchase intentions: does product category matter," said that, Risk perception is one of the critical variables, in the study of online shopping. **Ting chi Liu et al. (2013)**, studied "Perceived benefits, perceived risk, and trust: Influences on consumers, to investigate how perceived benefits, perceived risk, and trust influence Chinese consumers' online group, buying organized by institutional initiators. The research objective of the present study includes, exploration and description. The data collected for the study include, primary and secondary data. This research has an applied questionnaire as the research instrument, for collecting the data. The study is descriptive in nature, with the sampling method, of simple random sampling. Research analysis concludes that, there are equal benefits and risks involved in online shopping. Even customers do online shopping; motivational aspects are missing due to uncertainty. Online shoppers need to look out for fake online shopping apps, that make lofty promises of several great deals. Smartphone owners need to be even more cautious, since their devices are highly vulnerable through multiple channels. One needs to regularly monitor the financial statement. Ask periodically, for a copy of your credit report. Maintain careful records of your banking and financial accounts.

**KEYWORDS:** Financial Risks, Financial Benefits and Online Shopping

## INTRODUCTION

Definition of Online Shopping: It is a form of electronic commerce. Using an Internet web browser the consumers can directly buy goods or services from a seller. This process is also called as the B2C online shopping. The first World Wide Web server was created by Tim Berners-Lee in 1990. It was used for commercial purpose from 1991 onwards. In 1991, online shopping took place. Pizza Hut started its online, pizza shop. A German company called Inters hop introduced its first online shopping system. The latter in 1995, Amazon launched its online shopping site and 1996, e BAY emerged. Advantage of online store is easy navigation and browsing for purchases. The facilities available in online shopping are Product Catalog, Information about the products, the sellers and service centre.

It is very interesting to know, the process of online shopping. If the shopper decides to purchase a product, he can send it into the online cart by clicking “send” button. Similarly, you can add more products in the cart if required. Therefore the shopping cart collects all the products you have purchased. Now you can make the payment through Credit Card or other financial arrangement. Online companies do a thorough check up and dispatch the product to your address specified for delivery.

In this century, online shopping has become very popular because maximum of the people find it a convenient shopping method to save their time. Information technology and communication technology have rapidly improved. Information flows from one source to the other. Information technology has gradually picked up in such a way that it delivers the message in nano seconds through Internet facilities. In fact it connects the world through WAN. It has become a necessity in this revolutionary era. Nowadays computer and the Internet were indispensable tools for our daily life in conjunction with the rapid development of knowledge and technology. Most of the users or individuals depend on the internet for any type of information. Because of the growth of this new technology ‘Internet’ individuals have started exploring and finding everything they want to use this medium and it becomes a part of our social life and business life as well.

A consumer prefers to be in his comfort zone while making a purchase of product through online. Suresh et al., (2011) expressed his view about online shopping stating that India is becoming very popular online shopping now. Comscore report, (2013) reported that India is excessively using the Internet and has become the world’s 3rd largest Internet based country. Males and Females in the age group of 35- 44 are the mighty users of the Internet. 73.8 million Indians browsed the web from home or from their workplace. BCG report, (2012) reported a statistic which claims that are three billion internet users globally, which is almost half the world’s population.

Other statistics reveal that Indian shopping community is around 28 million and the Indian online shopping market is worth about 71 billion dollars. A study also confirms that Indian online shoppers spend around 11per cent of their personal income in online shopping. Online shopping attitude refers to consumers’ psychological state in terms of making purchases on the Internet. There have been, in depth studies of online shopping attitudes and behavior in recent years. Most of the studies have tried to identify factors influencing or contributing to online shopping attitudes and behaviour.

According to DNA analysis, a survey was conducted in 2013, over 3,500 traders and organized retailers in Delhi, Mumbai, Chennai, Bangalore, Ahmadabad and Kolkata were interviewed for the survey. Mumbai was ranked first in online shopping followed by Delhi and Kolkata as those living in metros are attracted by factors like home delivery which saves time as well as 24\*7 shopping.

In the early period of Online Shopping, very few options were there. At that time, it was not possible to place an order online and make payment at the time of delivery. But now it has been completely reversed. Customers are highly fascinated with options available on online shopping. Today online shopping websites are highly attractive. Reason behind is their user friendly interface. Also, it has a facility to make easy payment options. Consumers can order as much as quantities without any constraint and can expect better quality. Customers have a choice to prefer desired size, shape and the price of the product or service.

### **Online E - Commerce Portals**

**Mydala:** Mydala is a startup germinated in Delhi. They have multiple businesses – restaurants, spas, recreation, fashion, home and baby, etc. Now they are also in the businesses of mobile phones and jewellers. They basically focus on group buying. Customers are benefited with high discounts.

**Deals and You:** Headquarters of Deals and You is in Gurgaon. It is India's 2<sup>nd</sup> largest deal site, among India's top ten e-commerce sites. Deals and You have a collaborative venture with Group Buying Global AG. The advantage of shopping here, is huge discounts. When you shop from Deal and You, customers receive promo code which can be later redeemed at the time of actual buying. Before you shop, it is compulsory to create their profile. This is the gateway for the relationship management to start building relationship with their customers.

**Amazon. Com:** It was founded in July 5, 1994 by Jeff Bezos. It is an American electronic and cloud computing company. It started as an online book store. Latter diversified to sell DVDs, CDs, video downloads/streaming, MP3 downloads/streaming, audiobook downloads/streaming, software, video games, electronics, apparel, furniture, food, toys, and jewelry. The company also produces consumer electronics—notably, Kindle e-readers, Fire tablets, Fire TV, and Echo. Amazon operates in different countries – United States, United Kingdom, Germany, France, Italy, India, Mexico, Japan and Australia. All these countries have separate web sites.

### **Financial Risks and Benefits of Online Shopping**

*Financial risk* means loss of money. Especially in terms of online shopping, loss of money incurred, is due to poor product, or service choice, or bad purchase, or fraud. Financial risk is the perceived financial concern, resulting from a shopping activity (Dr. Rajesh wary G and Ms. Samira Sayed). Consumers after facing loss due to fraud, perceives Financial Risk when buying a product online (Jacoby & Kaplan, 1972; Peter & Ryan, 1976; Stone & Gronhaug, 1993; Almousa, 2011). Credit card fraud is a primary financial concern among many online consumers. Caterinicchia (2005) found that, online consumers are reporting increased concerns, regarding financial loss in online transactions. Also, consumers suffer from the monetary loss if products purchased online, fail to perform as expected. Although one of the common advantages of shopping online is competitive price, many consumers are reluctant to purchase products from the online shopping, due to other costs, such as shipping and handling.

Financial Benefits are, the advantages or profits gained by the consumer in online shopping. There are many cheap deals and better prices, on products available online. The reason is, there is no involvement of middleman. Product comes directly from the manufacturer. Discount coupons and rebates are provided by many online shops. Buyers can research and compare the products and their prices online. Then we can share information and reviews with other shoppers. On the other hand, when we opt for conventional shopping, we spend more than what we have planned. We end up

spending on eatables, transportation and also buying something which was not required or not necessary. Customers can also buy old and unused things, at very less price through online shopping. Also if any customer was fascinated by antiques, online portals are the best platform.

## REVIEW OF LITERATURE

According to **Bo Dai Forsythe (2015)**, in his study about “The impact of online shopping experience on risk perceptions and online purchase intentions: does product category matter,” said that risk perception, is one of the critical variables in the study of online shopping. Also, he concluded that if one does more online shopping, risk involved with producing, finance and privacy can be reduced. One of the reasons for such risk is that, customers are unable to physically examine the quality of the product. (Alreck and Settle 2002; Garbarino and Strahilevitz 2004),

**Tingchi Liu Et Al. (2013)** studied perceived benefits, perceived risk, and trust: Tingchi Liu has collected 578 samples, through an online survey. Research model was tested using multiple regressions. The result showed three perceived benefits ‘i.e.’, price benefits, convenience, benefits and recreational benefits, and three trust factors ‘i.e.’, reputation of the website, structural assurance and website trustworthiness. These benefits and trust factors influence customer’s attitude online shopping. The conclusion of the study is the perceived benefits and trust factors influence customer’s attitude to go for online shopping.

**Navpreet Singh Sidhu (2013)** did a study on “Awareness and Perception of residents of Ludhiana (Punjab), towards Online Shopping. He has mentioned about the subset of web based ad placements, which is also known as Web Advertising. The advantage of web advertising is, distribution of the information across the world at a low cost. This benefits the online vendor. At the same time, customers also come across numerous ads about the product which straight away strikes the customer's awareness level. Perception changes and thus customers are motivated to buy the product.

According to **Emad Y. Masoud (2013)**, in his study on “The Effect of Perceived Risk on Online Shopping in Jordan”, said that, despite the significant growth and optimistic outlook for the future growth of online shopping, the negative aspects are also becoming more frequently associated, with this alternative shopping method. There is a risk of losing credit card details and disclosing personal information (**Pallab, 1996**).

**Waleed et al. (2010)** did a study on “Factors Influencing the Adoption and Usage of Online Services in Saudi Arabia”. He said that, advancement in technology has become a threat to organizations, in various businesses and services. Therefore, many businesses are embracing internet in order to remain competent in the market. Many users are reluctant to share their personal details, which lead to unhelpful solutions from the company. A study was done, based on Diffusion of Theory (DOI). A questionnaire was distributed to 651 participants. The conclusion of this study was that, the customers were worried about privacy and compatibility. The quality of internet was also, one of the major concerns.

## RESEARCH METHODOLOGY

The research objective of the present study includes exploration and description. Every research has a research problem. There are some methods and procedures, to collect data and analyze it. This whole process is based on, the variables specified. This is basically a framework to find answers to research questions. The data collected for the study include, primary and secondary data. This research has an applied questionnaire, as the research instrument for collecting

the data. The internal consistency of the questionnaire was tested by, one of the most commonly used reliability coefficient that is, the Cronbach's Alpha coefficient. It is based on the average correlation of items, within a test, if the items are standardized to a standard deviation of 1, or on the average, covariance among items on a scale, if the items are not standardized. The calculated overall reliability coefficient has exceeded 0.8 and appears to be consistently high across the entire variables.

### Sampling and Sampling Selection

The study is descriptive in nature, with the sampling method of simple random sampling. The researcher has considered the same and identified, 784 respondents in the study, with a confidence level of 95 percent and confidence interval of 3.5 percent. On an average, 850 questionnaires were distributed and 810 were received. The remaining 40 questionnaires were biased and unanswered. The Demorgan's table and formula were used, to consolidate the sample selection from a population.

### Tools for Data Analysis

Data presentation involves entering the data, checking the data for accuracy, and developing a database structure that integrates the various measures. Hence, the collected data were fed into the Statistical Package, for Social Sciences (SPSS), version 20, and Analysing Momentum of Structures (AMOS) version 18, popularly used statistical software, for social research analysis. The following statistical tools were used for analysis namely:

## ANALYSIS AND FINDINGS

This part measures the perceived benefits (finance). The variables used for measuring are maximizing / predict opportunity, customer insight and business growth / potential. This variable is measured using the standard measurement scale (Five-point scale of Likert) ranging from "5" = strongly agree, "4" = agree, "3" = moderate, "2" = disagree and "1" = strongly disagree

**Table 1: Mean Scores and Standard Deviation for Overall Perceived Risk and Benefits (Finance)**

Measuring Variable	Mean	Sd
Price Sensitivity	3.35	0.578
Lack of Trust	3.11	0.723
Degree of Uncertainty	3.14	0.681
<b>Mean Score of Perceived Benefits (Finance)</b>	<b>3.20</b>	<b>0.504</b>
Maximizing / Predict Opportunity	3.78	0.562
Customer Insight	3.93	0.668
Business Growth / Potential	3.75	0.578
<b>Mean Score of Perceived Benefits (Finance)</b>	<b>3.82</b>	<b>0.488</b>

The respondents agree with the variable "price sensitivity" with a mean value of 3.35 and with a standard deviation of 0.578. Similarly the respondents agree with the variable "degree of uncertainty" with a mean value of 3.14 and with a standard deviation of 0.681. And finally the respondents agree with the variable "lack of trust" with a mean value of 3.11 and with a standard deviation of 0.723. **The respondents agree towards the dimension "overall perceived risk (finance)" with a mean value of 3.20 and with a standard deviation of 0.504.** The respondents agree with the variable "customer insight" with a mean value of 3.93 and with a standard deviation of 0.668. Similarly the respondents agree with the variable "maximizing / predict opportunity" with a mean value of 3.78 and with a standard deviation of 0.562. And finally the respondents agree with the variable "business growth / potential" with a mean value of 3.75 and with a

standard deviation of 0.578. The respondents agree towards the dimension “overall perceived benefits (finance)” with a mean value of 3.82 and with a standard deviation of 0.488.

**H<sub>0</sub>:** There is no significant relationship between the variables of perceived risk (financially) and perceived benefit (financially)

**Table 2: Correlation between the Variables of Perceived Risk (Finance) and Perceived Benefit (Finance)**

Variables		Meeting Expectations	Customer Satisfaction	Signature Experience	Perceived Benefit (Products)
Delivery	PC	-.127*	-.125*	-.056	-.127*
	Sig.	.000*	.000*	.109	.000*
	N	810	810	810	810
Trust	PC	-.124*	.129*	.093*	.048
	Sig.	.000*	.000*	.008	.175
	N	810	810	810	810
Service Protocol	PC	-.228*	-.018	-.248*	-.189*
	Sig.	.000*	.601	.000*	.000*
	N	810	810	810	810
Perceived Risk (Products)	PC	-.187*	.000*	-.083*	-.103*
	Sig.	.000*	.990	.018	.003
	N	810	810	810	810
*. Correlation is significant at the 0.01 level (2 - tailed).					
*. Correlation is significant at the 0.05 level (2 - tailed).					
PC – Pearson Correlation Value					
N – Number of Respondents					

### Positive Correlation

The variable maximizing / predict opportunity has positive correlation with price sensitivity (0.326); lack of trust (0.386); degree of uncertainty (0.258) and perceived risk (finance) (0.425). Similarly the variable customer insight has positive correlation with price sensitivity (0.181); lack of trust (0.279); degree of uncertainty (0.275) and perceived risk (finance) (0.326).

Similarly the variable business growth / potential have positive correlation with lack of trust (0.212); degree of uncertainty (0.193) and perceived risk (finance) (0.203). And finally the variable perceived benefits (finance) have positive correlation with price sensitivity (0.223); lack of trust (0.359); degree of uncertainty (0.301) and perceived risk (finance) (0.392).

### No Correlation

The variable business growth / potential have no correlation with price sensitivity.

## CONCLUSIONS

Research analysis concludes that, there are equal benefits and risks involved in online shopping. Even customers do online shopping; motivational aspects are missing due to uncertainty.

## RECOMMENDATIONS

Online shoppers need to look out for fake online shopping apps, that make lofty promises of several great deals. Smartphone owners need to be even more cautious, since their devices are highly vulnerable through multiple channels.

Be sceptical of reviews that lack detail, or are too positive. If the price of a product is too good to be true, it probably is. Research the third party seller or website. Don't be afraid to ask lots of questions. Finally, trust your gut. Customers should never give personal details to anyone, without any reason, no matter where you are. On a regular basis, customers should check their a/c details. Keep a track of all credit records of your transactions, provided by your bank.

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