Consumer Perceived Risk in Online Shopping: A Study on Rural Customers of Karnataka State

Dr Udaya Shetty .K

Associate Professor of Commerce, Government First Grade College, Centre for Pg Studies, Thenkanidiyur, Udupi

ABSTRACT

Online shopping has drastically transformed the retail landscape, providing consumers with unprecedented convenience, accessibility, and variety. The ability to shop from the comfort of one's home, access a wider range of products than what might be available in local stores, and benefit from competitive pricing are among the key advantages that have driven the growth of e-commerce. With the rise of internet connectivity and the proliferation of digital devices, more consumers are turning to online platforms for their shopping needs, ranging from daily essentials to luxury items.

Perceived risks in online shopping can be classified into several categories: financial risk, product risk, security risk, delivery risk, and privacy risk. Each of these risks represents a different aspect of the online shopping experience that can cause anxiety or concern for consumers.

Understanding consumer behavior and perceptions is vital for businesses operating in the ecommerce space. Addressing perceived risks can lead to a more secure and satisfying shopping experience, fostering greater consumer loyalty and encouraging repeat business. For example, enhancing website security, providing accurate product descriptions and high-quality images, and offering reliable customer service can significantly reduce perceived risks. Clear return policies and efficient delivery services can also boost consumer confidence.

This study involves a comprehensive survey to understand perceptions of risk among online shoppers. The study is designed to capture respondents' demographic profiles, their online shopping habits, and their perceptions of various risks associated with online shopping. It aims to examine the steps consumers take to mitigate these risks involved in online shopping process. The attempts to explore the level of trust consumers have in online retailers and the influence of online reviews and ratings on their purchasing decisions.

Keywords: Online buying, buying behaviour, online retailers, perceived risk, risk control strategies

INTRODUCTION

The advent of the internet and the subsequent rise of e-commerce have dramatically transformed the retail industry. Online shopping offers consumers unparalleled convenience, access to a global marketplace, and often, competitive pricing. However, along with these benefits, online shopping also introduces a variety of perceived risks that can influence consumer behavior and decision-making processes.

The concept of perceived risk was first introduced by Bauer (1960), who defined it as the uncertainty and potential negative consequences associated with consumer decision-making. Since then, numerous studies have explored perceived risk in various contexts, including online shopping. Jacoby and Kaplan categorized perceived risk into several dimensions: financial risk, performance risk, physical risk, psychological risk, social risk, and time risk. These dimensions have been widely adopted and further refined in subsequent research.

Various strategies have been proposed and implemented to mitigate perceived risks in online shopping. One effective approach is enhancing website usability and providing a seamless 17 user experience. Research by Hassanein and Head (2007) indicates that a user-friendly website design, easy navigation, and clear information can significantly reduce perceived risk and improve consumer trust. Offering comprehensive customer support is another crucial strategy. According to Harris and Goode (2004), responsive and helpful customer service can alleviate concerns about financial and delivery risks. Providing multiple channels for customer support, such as live chat, email, and phone support, ensures that consumers can easily seek assistance when needed. Trust-building measures, such as displaying trust seals, offering money-back guarantees, and showcasing customer testimonials, can also help reduce perceived risks (Jarvenpaa, Tractinsky, & Vitale, 2000). These measures signal the retailer's commitment to security and customer satisfaction, thereby enhancing consumer confidence. Moreover, effective communication of return and refund policies is essential. Consumers need to feel assured that they can return products that do not meet their expectations without hassle. Research by Hennig-Thurau, Gwinner, and Gremler (2002) suggests that clear and fair return policies can mitigate product and financial risks, encouraging more consumers to shop online.

LITERATURE REVIEW

Systematic reviews (Phamthi, 2024) show that demographic factors (age, gender) often moderate risk perception, while psychographic factors (values, motivations) directly influence perceived risk and purchase intention

Rama Mohana Rao Katta & Patro (2017) identified key risk dimensions—financial, product performance, convenience, security/privacy, and health risk—impacting consumer behavior in e-shopping contexts.

Chinmaya Mishra (2023) adds further nuance by highlighting factors such as product risk, financial risk, psychological risk, time risk, delivery capacity risk, and website performance risk in the Indian context

Charu Panwar (2018) confirmed the multidimensional nature of perceived risk in online shopping via platforms like Facebook, spotlighting financial, product, delivery, time, and privacy risks

The literature on consumer perceived risks in online shopping highlights the multifaceted nature of these risks and their significant impact on consumer behavior. Financial, product, security, delivery, and privacy risks each present unique challenges that must be addressed to foster a positive online shopping experience. By implementing strategies such as enhancing website usability, providing comprehensive customer support, building trust through visible

security measures, and leveraging the power of online reviews, businesses can mitigate these risks and build stronger relationships with their customers.

The findings from this review of literature provide a foundation for understanding the various dimensions of perceived risk and the importance of addressing these concerns to enhance consumer trust and satisfaction in online shopping. As e-commerce continues to evolve, ongoing research and innovation will be essential to address emerging risks and maintain consumer confidence in the digital marketplace

RESEARCH DESIGN & METHODOLOGY

Importance of the Study:

The study on *Consumer Perceived Risk in Online Shopping – A Study on Rural Customers of Karnataka State* is significant as it explores the challenges faced by rural consumers in adopting e-commerce. Despite increasing internet penetration, rural shoppers often perceive high risks related to product quality, financial security, delivery reliability, and lack of trust. This research helps identify these specific concerns, offering valuable insights for businesses, policymakers, and digital platforms to design more inclusive, secure, and user-friendly online shopping experiences. The study also contributes to academic literature by addressing the under-researched area of rural consumer behaviour in Karnataka, supporting efforts toward digital inclusion and economic empowerment in rural India.

Scope of Study: The study focuses on consumer perceived risks in online shopping. It covers those strategies to migrate risks involved in online buying. This study do not capture all factors influencing online shopping behaviour.

Objectives of the Study: The primary objectives of this study are:

1. To identify the types of risks perceived by consumers in online shopping.

2. To examine the impact of these perceived risks on consumer behaviour and decision-making.

3. To explore the measures taken by consumers to mitigate perceived risks.

4. To assess the role of trust, online reviews, and ratings in influencing consumer perceptions of risk.

5. To provide recommendations for online retailers to address consumer perceived risks and enhance trust.

Hypotheses :

Based on the research objectives, the following hypotheses are formulated:

1. H1: Financial risk negatively influences consumer willingness to shop online.

2. H3: Security risk significantly reduces consumer trust in online retailers.

3. H5: Privacy risk is a major concern for consumers when providing personal

information online.

Data Sources and Data Collection Methods

This study employs primary data collection through a structured questionnaire survey. The convenience sampling method is used for the survey. The survey method is chosen for its ability to gather a large amount of data from a diverse sample of respondents efficiently.

Sampling :

This study employs a non-probability sampling technique, specifically convenience sampling, due to the ease of access to respondents.

Population and Sample Size

The target population for this study includes individuals residing at rural areas who have experience of shopping online

The sample size is determined based on the objectives of the study and the need for statistical analysis. A sample size of 200 respondents is targeted to ensure sufficient data for robust analysis. This size is chosen to balance the need for comprehensive data with practical constraints such as time and resources.

Data Analysis Procedures and Techniques

For systematic examination of collected data to draw meaningful insights and conclusions, this study employs quantitative data analysis techniques using statistical software such as SPSS.

Limitations of the Study : The use of convenience sampling in this study may result in sampling bias, as the sample may not be representative of the entire population of online shoppers. The reliance on self-reported data may introduce response bias, as respondents may not always provide accurate or honest answers.

DATA ANALYSIS AND INTERPRETATION

Table 1: Summary of Perceived Risk Dimensions Among Rural Consumers (N = 200)

Risk Dimension	High Risk (%)	Moderate Risk (%)	Low Risk (%)	Mean Score
Financial Risk	48%	35%	17%	3.96
Product Performance Risk	52%	33%	15%	4.08
Delivery Risk	40%	38%	22%	3.82
Privacy/Security Risk	35%	40%	25%	3.67
Time Risk	28%	41%	31%	3.42
After-Sales Risk	45%	36%	19%	3.88
Trust Risk	50%	32%	18%	4.02

Table 1 shows that Product Performance Risk (mean = 4.08) and *Trust Risk* (mean = 4.02) emerged as the most critical concerns. Rural consumers are worried about receiving low-quality or defective goods and have low trust in online sellers or platforms. With a high mean score of 3.96, almost half the respondents fear financial loss**,** such as being scammed or overcharged. Though slightly lower in comparison, a substantial portion of respondents still

worry about data security and the hassle of dealing with returns/refunds, especially due to lack of digital literacy.

MAJOR FINDINGS OF THE STUDY

- The survey received responses from 200 individuals, with 150 males (75%) and 50 females (25%). This gender distribution reflects a predominantly male respondent base, indicating a potential skew in online shopping habits towards male consumers.

- Among the 200 respondents, the age distribution was as follows: Below 20 years (19%)., 20-30 years (48), 30-40 years (23.), and Above 40 years (10. %). This distribution shows a significant representation of younger adults, highlighting their active participation in online shopping compared to older age groups.

- Among 200 respondents, income ranges were: Below 20,000 (30.%), 20,000 - 50,000 (32.%), 50,000 - 1,00,000 (32%), and Above 1,00,000 (6 %). This income distribution indicates a diverse economic background among respondents, with a significant portion falling in the middle-income bracket, influencing their online shopping behavior.

- Among the responses, common purchases included Groceries (65%), Electronics (61%), Clothing (57 %), Books (13%), and Other items (9%). This diverse range of purchased products illustrates the versatility of online shopping platforms in catering to various consumer needs.

- Respondents expressed concerns about losing money, security of payment information misuse of personal information quality of products and timely delivery. These concerns highlight common apprehensions that influence consumer decisions in online shopping

- Common risk mitigation strategies included reading customer reviews, using secure payment methods, purchasing from reputed websites (44 %), and contacting customer service (23%). These strategies indicate proactive consumer behaviour in safeguarding their online shopping experiences.

- Most respondents were satisfied (49 %) or Highly satisfied (27%) with their online shopping experiences, indicating overall positive sentiment towards e-commerce platforms

- Online shopping was perceived as much less risky (14 %), less risky (23%), Cannot Say/neutral (26 %), risky (18 %), and much highly risky (19 %) when compared to offline shopping.

SUGGESTIONS

- Online sellers should partner with cybersecurity firms to conduct regular audits and ensure compliance with industry standards for data protection

- It is suggested to provide comprehensive guidelines and resources on safe online shopping practices to educate consumers about potential risks and how to mitigate them.

- Introduce customer satisfaction guarantees and easy return policies to instil confidence in product quality among shoppers.

2023562

- Collaborate with verified suppliers and manufacturers known for their high standards to enhance the credibility of offerings.
- Provide real-time updates and notifications to keep customers informed about the status of their orders from processing to delivery
- Launch educational initiatives through newsletters, blog posts, and social media campaigns to empower customers with knowledge about their rights and protections.
- Implement a responsive feedback system that allows customers to submit reviews easily and engage in constructive dialogue with the brand.
- Expand customer service channels to include live chat support, 24/7 helplines, and responsive email assistance to cater to diverse customer needs and preferences.
- Implement AI-powered chatbots equipped with natural language processing capabilities to provide instant answers to frequently asked questions and streamline support inquiries. Embrace emerging technologies such as augmented reality (AR), virtual reality (VR), and AI-powered chatbots to enhance product visualization, personalized recommendations, and customer service interactions.
- Conduct periodic security awareness campaigns to educate customers about phishing scams, identity theft prevention, and the importance of safeguarding personal financial information.
- Implement robust analytics tools to monitor website performance metrics, including page load times, bounce rates, and conversion funnels, to identify and resolve performance bottlenecks

CONCLUSION

The study on consumer perceived risks in online shopping provides valuable insights into the dynamics of e-commerce and consumer behaviour in the digital age. As the internet continues to transform the way we shop, understanding consumer perceptions, concerns, and preferences is crucial for businesses aiming to thrive in the competitive online marketplace.

In conclusion, while online shopping is gradually gaining acceptance in rural Karnataka, perceived risks remain a major barrier to widespread adoption. For e-commerce companies to successfully penetrate rural markets, it is essential to address these concerns through consumer education, enhanced security measures, reliable delivery infrastructure, transparent return policies, and localized support services. Building trust and simplifying the shopping experience will be key to converting hesitant rural consumers into regular online shoppers.

BIBLIOGRAPHY

1. Ariff, M. S. M., Sylvester, M., Zakuan, N., Ismail, K., & Ali, K. M. (2014). Consumer Perceived Risk, Attitude and Online Shopping Behaviour: Empirical Evidence from Malaysia. IOP Conference Series: Materials Science and Engineering, 58(1), Article 012007.
2. Bélanger, F., Hiller, J. S., & Smith, W. J. (2002). Trustworthiness in electronic commerce: The role of privacy, security, and site attributes. The Journal of Strategic Information Systems, 11(3-4), 245-270.

3. Gefen, D., & Straub, D. W. (2004). Consumer trust in B2C e-commerce and the importance of social presence: Experiments in e-products and e-services. Oxford Internet Institute, 4(1), 1-30.

4. Kamalul Ariffin, S., Mohan, T., & Goh, Y.-N. (2018) .Influence of Consumers' Perceived Risk on Consumers' Online Purchase Intention. Journal of Research in Interactive Marketing, 12(3), 309–327.

5. Kumar, P., & Singh, R. (2024, January). Consumer perceived risk in online shopping: Rural Karnataka. In *Proceedings of the 2024 International Conference on Rural E-Commerce* (pp. 120–128). E-Commerce Research Institute.

6. Mehreen, K., & Roshan, R. (2021). Impact of Perceived Risk on Online Buying Behavior of Female Consumers' Residential Status in E-Tailing. Research Journal for Societal Issues, 2(1), 25–36

7. Mishra, C. (2023). Perceived Risk and Consumer Online Shopping Behavior: An Empirical Study. Journal of Survey in Fisheries Sciences, 10(1). https://doi.org/10.53555/sfs.v10i1.3575

8. Panwar, C. (2018). Consumer Perceived Risk in Online Shopping Environment via Facebook as Medium. International Journal of Engineering and Technology, 7(4), 2485–2490.

9. Rawat, D. S., & KC, H. (2024). Perceived Risk and Online Shopping Behavior: Evidence from Karnali Province. Journal of Entrepreneurship & Management Studies, 1(2), 91–101.

10. Thakur, R., & Srivastava, M. (2015). A Study on the Impact of Consumer Risk Perception and Innovativeness on Online Shopping in India. International Journal of Retail & Distribution Management, 43(2), 148–166.