

A STUDY ON CONSUMER PERCEIVED RISK TOWARDS ONLINE SHOPPING

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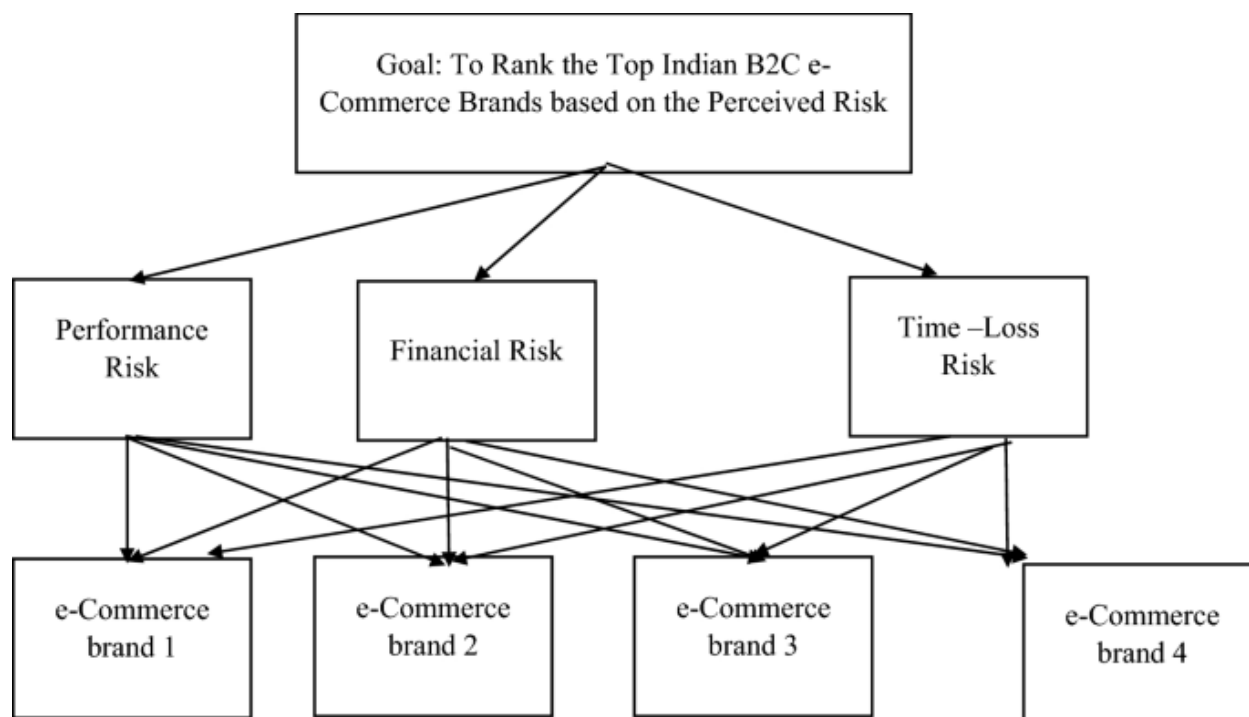
Abstract

Customers have access to a previously unimaginable variety of activities and adventures when they purchase online. An incredible market place has been created by the proliferation of goods and services available for purchase on the internet at a wide variety of price points. The vast majority of customers have readily embraced the convenience of purchasing online, yet some customers still have concerns over a variety of potential dangers. Online buying is discouraged as a result of the hazards involved. The literature study uncovered the fact that a great deal of research has previously been conducted on online purchasing, with the primary emphasis being on the level of risk that customers perceive to be involved. The main objectives of the study was to identify various types of perceived risk related with online shopping. The study is qualitative and empirical, done in Chennai city during the month of August 2022. 300 sample respondents are selected from the city using the survey method. The customers buying products in online market have been purposively selected for the study. The information from the respondents were collected through the Google forms. The respondents level of perceived risk related to the online shopping and their intention to buy in the market are collected using the Likert scale. The data were analyzed using non-parametric test and a regression model. It is concluded that the perceived risks are significantly influencing the purchase intention but the privacy is not up to the mark to influence.

Keywords: Risk perceived by online shoppers, consumer purchase intentions, online purchasing, Social risk and Psychological risk.

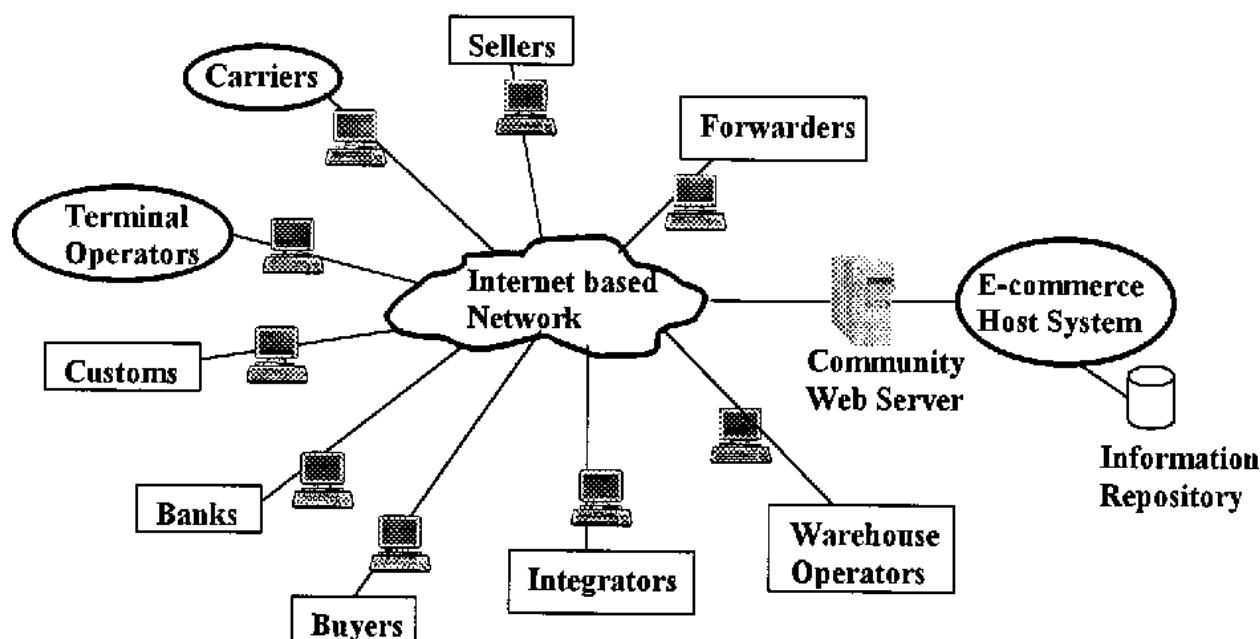
Introduction:

Users get access to a whole new world of opportunities and experiences when they purchase online. An incomprehensible marketplace has emerged as a result of the proliferation of goods and services available for purchase on the internet at a wide array of price points. The vast majority of consumers have graciously adapted to the convenience of purchasing online, while some continue to be wary of the many risks involved. These risks act as a barrier to consumers who might otherwise purchase online. In this section, the analyst has made an effort to get knowledge on the fundamentals of internet buying. In addition, a brief schematic of the investigation's overall organizational structure has been provided in this section. The practice of making purchases via the internet directly from a merchant, without the use of a middleman or other intermediary service, is known as online shopping or internet shopping. It is a kind of business conducted online. Bellman S, Johnson EJ (2000). [1]For brand new books, for instance, the sale and purchase transaction is completed electronically and in an intelligent manner continually on Amazon.com. In any case, it is possible that a delegate will be present in a deal or purchase exchange at some point, such as the exchanges that take place on eBay.com. The experience of buying products or services from a brick-and-mortar store or a strip mall may be replicated via the use of an online shop, also known as an e-shop, e-store, internet shop, web store, online store, or virtual store. Other names for online shops include e-shops and e-stores. On the internet, the term "Firm-to-Business" (B2B) refers to the transaction that occurs when one business makes a purchase from another business. Although a significant portion of transactions related to virtual goods, such as access to premium content on a website, are conducted entirely in electronic format, electronic business in general involves the transfer of tangible goods in a number of different methods. In certain instances, internet retailers are referred to as e-tailers, whereas in other others, online retailers are referred to as e-posterioris. Almost all significant merchants now have an online presence on the World Wide Web, either in the form of a website or an online store.



The Role of the Internet in Business

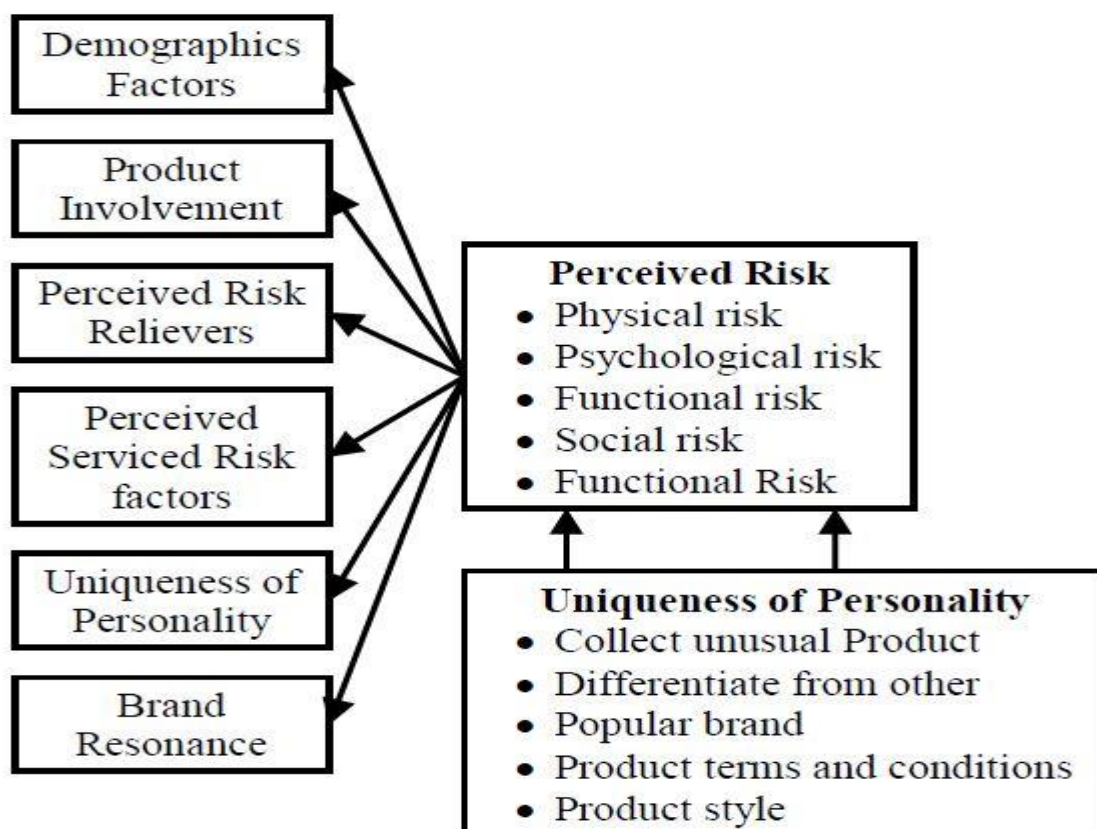
The world is varying at an astonishing rate, and with it, the world of advertising and marketing. The few opportunities available to interconnect with the target audience's interest group have been expanding. In point of fact, even technological advancements have substantially altered the manner in which purchasers evaluate communication. Furthermore, it seems that the definition of "media" in the age of the Internet has expanded to include not only the physical media, like as the press and magazines, but also the communicated media, like radio and television. This is in contrast to the virtual climate offered by pages, which is distinct from the physical media .Due to the fact that it is often referred to as a global medium, the internet has come to play an increasingly important role in a variety of subfields of the economy over the last few of years. The Internet, which may be considered one of the most exciting technological advancements of the 20th century, has had a huge impact on the ways in which people communicate with one another and collaborate. Since the introduction of the web as an additional contact medium, companies have begun to use it as a component of their overall strategy.



The executives have made extensive use of the internet in their daily operations. It serves as a medium for appropriation of funds, a channel for the dissemination of information, and a marketing vehicle for businesses to remember for their missions. E-commerce is the training that pertains to the use of the Internet to the betterment of different business systems. The dynamic technology provides marketers with practical and spectacular ways of developing, progressing, and disseminating products, as well as leading analysis and gathering market data. Crespo(2009) [3] These days, businesses operate in a cutthroat environment, where the quality of the game is determined by a variety of various kinds of competition. Managing a significant competitive advantage in today's business environment calls for an effective electronic system that places a primary emphasis on the convenience of online shopping. In this day and age of advanced technology, the majority of company organisations have realised that making use of the Internet is essential in order to compete effectively in a highly competitive business environment. In the most recent couple of years, there has been a significant uptick in interest and excitement towards India on the internet. The internet has developed into an essential component of a quick and brisk style of life in India. The growth of the internet has resulted in a wide variety of new occurrences, such as a reduction in profit margins for businesses since customers are increasingly turning to the internet to purchase goods and services.

Perceived risk

"The form and level of uncertainty perceived by customers in making a given purchasing choice," is the definition of "perceived risk." It's possible that two factors, namely uncertainty and repercussions, have a substantial effect in how risk is perceived. Uncertainty is caused when it is difficult to determine purchase objectives and then match those goals with product or brand offers. Performance is tied together with the concept of consequence. The term "perceived risk" refers to "the anticipation of any loss or other negative effects as a result of online buying," and it applies specifically to the online environment. (Young-Hui 2009)[17]

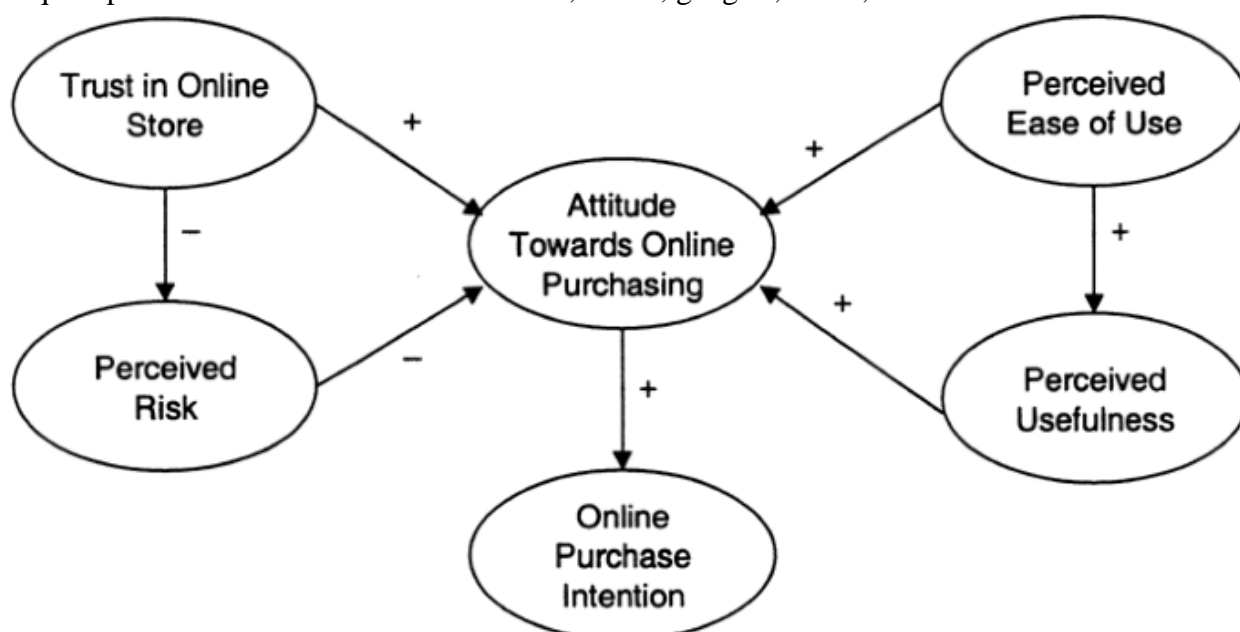


Consumer Behavior

Consumer behaviour encompasses not only the decision-making process of consumers but also all of the external and internal variables that should be taken into account when determining a consumer's ultimate product choice in the context of the purchasing decision process. Therefore, the primary objective of researching consumer behaviour is to get an understanding of the factors that influence and are influenced by customers' purchasing choices. These insights provide marketers with the ability to build marketing plans that are more successful, which is particularly important in today's world, when sophisticated technology allow marketers to gather more data on customers and target them more accurately. The pinnacle of the paradigm shifts that have brought about revolutionary transformation in the realm of communication technology has been attained. Every single one of today's consumers, regardless of their economic standing or wealth, falls into the category of customer for at least one product or service. The dissemination of technical knowledge has not only transformed consumers and consumerism but also indirectly turned all of the world's illiterate people into literate adults. Online retailers such as Amazon, Flipkart, and Alibaba have a significant number of products that they have manufactured and have made them available to customers worldwide. Customers these days have a wide variety of options to choose from in terms of the brand, the quality, the value, and therefore the delivery of items. Consumer behaviour is often referred to using the term "mental-call approach." People do not just live through their bodies but also through their minds since the mind is the substance that sustains life. The human mind is prepared to move the grains away from the bryophyte and to choose a product that the mind instructs them to shop for. In spite of everything, people tend to prioritise their feelings above their ability to think. As a result of the fact that we sell

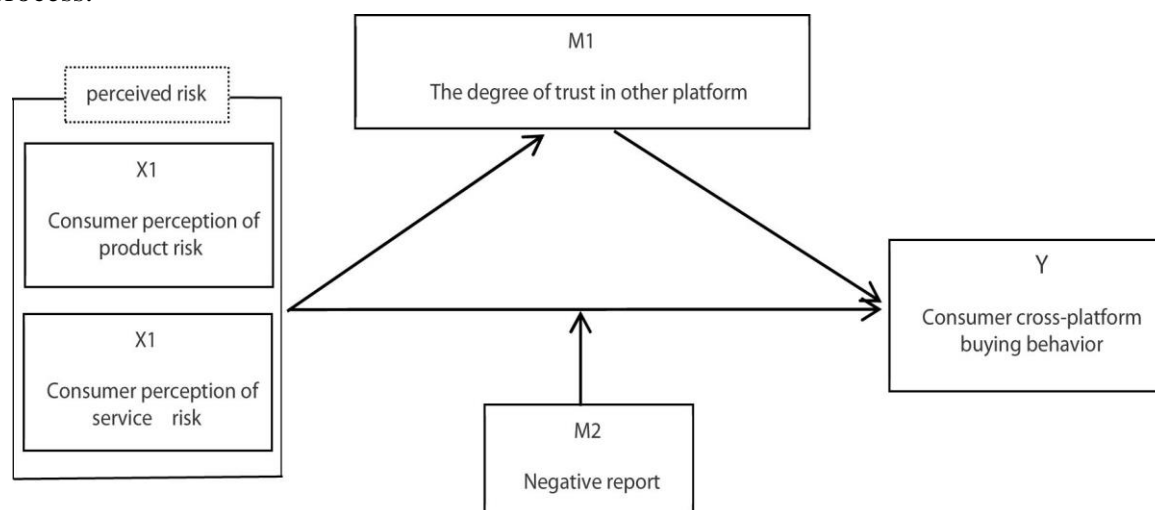
products that appeal to our emotions as well as our minds, it is not difficult for each person's actions to be a complex combination of their mental, emotional, and physical states. To provide an example, the taste buds in one's tongue would be able to reawaken the unique flavour of the beverage one selects or the meal one consumes based on which one determines the manufacturer via internet buying. This is frequently a lovely experience of the customer and his behaviour in relation to the product that he wants to acquire. (Loshe 2009)[7]

Consumerism does not entail any preparation to search for and purchase products, hence it is not a kind of consumerism. It is a path toward getting an associate degree and earning knowledge. Therefore, it is strongly recommended that people, regardless of whether they come from higher or lower economic zones, be encouraged to choose for and pick the products they want, rather than shopping for the item that is available. This is only possible via doing a search on the internet, which provides the customer with the quickest and easiest path to the best possible customer service experiences. It's possible that humans are sociable animals that like to live in groups. If one of the members of the cluster has a positive experience with online shopping, word will automatically spread to the other teams by improvised means if they want to try it out. The motivation and encouragement of internet commercialism for sense-fulfillment may come from an organisation like this. The proliferation of information technology has brought about fundamental shifts in the way consumers think about the economy. The rapidly accelerating growth of the web has provided an additional push to the buying behaviour of consumers. These days, every customer has the expectation that everything should be convenient. The purchaser wants to get essential items or to push extensive information on the product or service directly from the seller's residence. The marketing of goods and services has been subject to a tremendous upheaval as a direct result of the proliferation of the internet. Because of the proliferation of the internet, doing a search on the internet has become an increasingly frequent and straightforward method to acquire products and services such as books, music, gadgets, travel, and so on.



The internet is becoming an increasingly essential source of both commercial data and the delivery of goods and services, and its use is expanding at a steady rate across all

industries, with a special emphasis on the communication sector. Customers are doing the majority of their product research on the internet as a consequence of the ease and speed with which they may access the World Wide Web. Consumers get a great deal of comfort from doing their shopping on the internet, both in terms of the range of convenience it gives and the fact that it delivers at a reduced cost. It prevents the formation of lengthy lines during festival and holiday seasons, so saving both time and effort. During certain times, the online retailers also offer alluring discounts and a variety of other types of promotional deals. (Yao Chuan Tsai 2010) [16]. During the days of traditional marketing practices, customers were required to physically visit a store in order to obtain information about a product, determine its availability, and interact with a salesperson. If the store was too crowded or the salespeople were too pushy, it could make customers feel awkward about making purchases. Consumers are able to avoid these kind of hassles and do their searches twenty-four hours a day, seven days a week, which results in significant time savings for the customers. Perceiving the consumer behaviour on the approach to online purchasing, developing development within the elements that convince consumers to acquire online, and dealing with issues that have influenced customers' purchase behaviour are all important parts of this process.



Consumer Behaviour in India

Although India is a nation with a sizable population, the attitudes and behaviours of its consumers are undergoing significant shifts. The small scale firm is getting to be in great shape, and there is a newly unionized selling unit that is coming back in with a new perspective. The market in India is being explored by web shoppers, and a large number of unionized shops are furthermore expanding their customer base via the use of the internet. In India, the following required elements will have an influence on the behaviour of customers in the future. Women in India are increasingly working outside the home rather than staying at home to care for their families. Considering how busy each unit is with its job at the moment, they find it quite difficult to find time to go shopping in person. The way people live is also dynamic in the modern world, and as a result, there is an increased need for branded goods, especially on an international scale. Alterations to the process of selling a product in India are being brought about as a result of the Indian government's implementation of Demat, digital, and GST. The families' financial gain is expanding automatically, and at the

same time, the pattern of expenditure is also increasing. People come from all over the world to work in industries including information technology, alternative manufacturing, and alternative commerce and service sectors. People are being driven to live in more urban areas as a direct result of urbanization. The stress levels of working people are rising, which is leading to an increase in demand for products that provide stress relief, such as yoga, fitness, and vacations. People who value their privacy and have a lot of free time often do their research online. It is one of the essential components that must be present for the growth of online marketplaces in India.



Online Trust and Perceived Risks in Online Shopping

The concept of trust is baffling and one of a kind, and it is commonly applied interchangeably with other concepts that are linked to it, such as believability, unshakable quality, or confidence. As a consequence of this, it is challenging to classify trust and to differentiate the aspects that go into its construction. According to the definition provided by the Oxford English Dictionary, trust may be defined as "confidence in or reliance on some feature or attribute of someone or something, or the truth of an announcement." The definition of trust often refers to "a reliance on the uprightness, ability, or character of someone or something," however there are exceptions to every norm. Trust is essential to almost every aspect of a person's life, and it may make or break relationships. Trust has been extensively centralized in a variety of orders, with each control having its own understanding of the concept as well as diverse approaches to putting it into practice. Hee-Woong Kim (2004), "online trust" refers to "consumers trust coordinated towards online purchasing websites or shippers over the Internet and only relates to Business – to Consumer (B2C) internet business Transaction." When it comes to things like shopping online or conducting business over the internet, trust can be defined as "the conviction that an Internet customer has in an Internet trader and the eagerness to participate in an Internet shopping exchange, despite the possibility of misfortune, on account of the desire that the vendor will participate in generally satisfactory practices and will have the ability to convey the guaranteed items or services. There is a possibility that two aspects, namely vulnerability and outcomes, have a significant role in perceived risk. The difficulty of separating purchase goals and aligning these goals with item or brand contributions results in an increased risk of susceptibility.

Review of related Literature

Westbrook and Black (1985), [15] explored once a client searches, they are driven by the desire to either make a purchase or have an experience, or a combination of the two. Many of us decide to do our research on the internet, and as a consequence, they are able to get the items they want without ever having to leave the convenience of their own homes. Kim and Park (2007)[5], clients considered the internet to be easily available and were willing to pay more for the ability to look for info online. The way in which customers feel about internet searching is directly proportional to the direct consequences of various relevant online searching possibilities. In their research, Bellman et al. (1999)[7] found that the number of months spent online, in addition to the total amount of time spent online, is an important factor in determining behaviour towards online buying. Loshe et al. (2000)[7] demonstrated that the longer a person has been using the internet, the greater the likelihood that they would attempt to make an online purchase in the future and the greater the intent to try to make an online purchase in the future. According to the findings of Bhatnagar et al. (2000),[2] there is a connection between the customer's perception of risk and the product that they decide to buy through the channel. The researcher discovered the influence of customer apparent risk and hope on online buying behaviour for a high risk and costly commodity like gemstone. In particular, they focused on the relationship between these two factors. The author discovered the three factors that contribute to an individual's perception of risk. Privacy concerns, the sort of marketing technique used by the vendor, and security procedures are the three factors that determine this. The researcher came to this conclusion after discovering that a customer's worries about their privacy, the sort of marketing technique used by the seller, and the seller's security policies all have a role in the customer's perception of the level of danger involved when purchasing gemstones online. There is a correlation between perceived risk and decreased trust and inclinations to make purchases online. The explain that the amount of perceived risk changes depending on which option 33 is chosen for the product category. It has been shown that the manner in which one does their shopping is also a significant factor. When customers choose non-store buying methods, such as shopping online, rather than the more conventional option of shopping in physical stores, their level of perceived risk tends to increase. Although Bhatnagar et al.[2] focused their research on financial risk, product risk, and security risk, their findings revealed a negative link between knowledge and risk aversion. When consumers begin looking for and selecting information about their desired goods and services before making judgments on purchases, they experience a feeling of danger. If the actual purchase experience of customers differs from their desired shopping experience, they will feel a greater level of risk. Consumers see the usage of internet reservation systems as more risky than the conventional method of searching for airline reservations, according to research that was conducted in 2005 by Cunningham and colleagues. In addition to this, they have researched the many forms of perceived risk that are relevant to the customer at the stage of the consumer purchasing process that is associated with making airline reservations either conventionally or online. It is being looked at whether or whether consumers felt there was an increased danger at any point throughout the purchase process. According to the findings, a customer's level of perceived risk is negatively associated to their level of confidence in doing business online.

On the other hand, consumer faith in institutions and economic incentives are unable to diminish the level of risk that consumers perceive.

Need for the Study

People don't have to go through the hassle of going from one store to another to look for the products they need when they can purchase online instead. However, since there are so many online shops selling so many different kinds of products, it is impossible for even those who shop online to choose what they should buy and where they should buy it from. The significance of this research comes from the fact that it investigates the social factors that play a role in influencing online customer behaviour, in addition to looking for the factors that determine the behaviour of online customers. Understanding the thoughts and motivations of consumers in today's world is a generally difficult task. (Reibstein David 2002) [13]. every single customer has a unique perspective, level of drive, and level of contentment. The process of looking for a product all the way to the attitude of a customer after consuming a product or service that was acquired online is included under the term "online consumer behaviour." To put it another way, a customer wants to be able to purchase the household supplies they need from an online shop in the comfort of their own home during their free time.

Importance of the Study

The research on consumer behaviour while online buying takes on a new level of relevance in light of the amazing growth in the number of consumers who shop online. Because of the remarkable progress that has been made in information technology and the expanding awareness and understanding that people have about internet technology. (Miyazaki et al. 2001)[8]It is anticipated that the findings of the research would be helpful to policy makers of online consumers in rethinking their market, rules, and sales promotion techniques. In the event that the recommendation made in the study is carried out in both the letter and the spirit of the law, the final consumer who shops online will be assured of receiving quality service from online shoppers, and the government will give importance to the process of formulating retail policy with regard to online shopping.

Significance of the study

The development of international e-commerce businesses has made the rivalry among domestic e-commerce players even more intense. There is a significant knowledge vacuum in the current literature on the purchasing behaviour and consumption pattern of online consumers in India, which is the reason why this research is so important. The majority of the research have concentrated their attention on more developed nations like the United Kingdom and the United States. In the field of online commerce, there haven't been many studies done on the purchasing motivations of Indian customers and the level of perceived risk they face while shopping online. Existing research may not represent the structure and pattern of online purchasing that is appropriate to developing countries like India due to variances in socio-demographic variables, socio-cultural variables, and other factors that influence buying. Because of this, there is a pressing need to conduct an empirical research in order to identify the many antecedent elements that influence the online shopping

intents of Indian consumers and to assess the relative relevance of these aspects. The findings of this research provide amazing insight to online retailers into their customers' impressions of the trustworthiness and dangers of shopping online. This will be of additional assistance to online merchants in their efforts to devise effective tactics for obtaining a profitable position in this competitive industry.

Statement of the problem

The practice of conducting one's shopping online comes with a plethora of benefits that should not be ignored. E-commerce websites are visited by men and women of all ages, and they use these websites to acquire the goods that are necessary for daily life. Those who use e-commerce websites to purchase things that are required for daily living include: Buyers from all over the world use online marketplaces in order to buy or sell their commodities, and these customers come from all corners of the globe. (Thompson 2022)[14] This is the characteristic that sticks out as being most notable. A person might use his computer to get into the website of an online merchant and place orders to buy things while he is relaxing at home during his leisure time. Even though there are a great many benefits, not everyone has made the switch to doing all of their shopping online. This is despite the fact that there are a great number of advantages. Crespo et al. (2009)[3] lead a study with the objective of determining the effect that customers' perceptions of the risks involved in online buying have on the adoption of e-commerce practices by consumers who shop online. The research was carried out with the purpose of investigating the impact that customers' perceptions of the risks involved in online buying have on the adoption of e-commerce practices.. The author has used a device known as the Technology Acceptance Model to conduct an analysis of the relationship that exists between all of the components. Research has been conducted on non-consumers who have never shopped as well as customers who have completed their purchases online. The non-consumers have never had the experience of buying. According to the results of the research, a consumer's general attitude toward a system has a positive influence on their intention to shop through the Internet. On the other hand, a consumer's perception of the risks associated with the Web has a negative influence on their intention to shop through the Internet. People in the present world are always busy with their job, so it makes sense that they would turn to internet shopping. It is projected that India would have the third highest number of internet users worldwide. There are over 121 million internet users in India, and of those people, around one and a half prefer to shop online. The number of people purchasing online will continue to rise throughout the year.

Research Objectives

The study has been carried out with following objectives

- 1) To examine the various types of perceived risk related with online shopping.
- 2) To evaluate the impact of various perceived risk on consumers' online purchase intentions.

Research Methodology

The study is qualitative and empirical, done in Chennai city during the month of August 2022. 300 sample respondents are selected from the city using the survey method. The customers buying products in online market have been purposively selected for the study. The information from the respondents were collected through the Google forms. The respondents level of perceived risk related to the online shopping and their intention to buy in the market are collected using the Likert scale. The data were analyzed using non-parametric test and a regression model.

Findings

The study is focusing on two things that different perceived risk by the customers in the online shopping and the influence of the risks on their purchase intention towards online shopping. They are discussed below.

1. Perceived risk

The perceived risks are classified (from the previous studies) as performance risk, psychology risk, financial risk, privacy risk, time risk and social risk. The level of risk they faced during the online purchase has been measure with the help of Likert scale (very low, low, moderate, high and very high). The level of perceived risk is compared with the help of Kendall's W test as below.

Table 1
Perceived risk in online shopping

Perceived risks	Mean	Std. Deviation	Mean Rank	Rank
Social risk	2.98	1.145	3.10	VI
Psychological risk	2.95	1.447	3.17	V
Financial risk	3.04	1.073	3.24	IV
Privacy risk	3.30	1.108	3.70	III
Performance risk	3.50	1.141	3.96	I
Time risk	3.46	1.169	3.83	II

High level of risk perceived by the respondents is performance risk (3.96) which related to the quality of product and services, time risk (3.83), privacy risk (3.70). Other risks in the online purchase subsequently ranked are financial risk, psychological risk and social risk in fourth, fifth and sixth ranks. The significance in the ranks is calculated from the Kendall's coefficient of concordance value.

Table 2
Kendall's Coefficient of Concordance

N	300
Kendall's W	0.055
Chi-Square	82.496
Df	5
Asymp. Sig.	0.000

The calculated Chi-Square value (82.496) for the degree of freedom 5 is significant at 1% level. The value of probability is (p-0.000) less than 1% (<0.010). Hence, the result

indicates that the high perceived risks are performance risk and time risk in the online shopping.

2. Impact of various perceived risk on online purchase intentions

The impact of the 6 perceived risks on the purchase intention of the buyers is measured with the help of regression model. The Financial risk, Performance risk, Social risk, Psychological risk, Time risk and Privacy risk are the predictors and the purchase intention is the dependent variable. The summary of the model is shown in the table 3.

Table 3
Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	0.564 ^a	0.318	0.304	0.952
a. Predictors: (Constant), Social risk, Psychological risk, Financial risk, Privacy risk, Performance risk and Time risk				

The above table shows that the R value is 0.564 and R square value is 0.318. It shows that the predictors are explaining 31.8% in the variance of the purchase intention and the other factors contributes more.

Table 4
ANOVA

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	124.114	6	20.686	22.813	0.000 ^b
	Residual	265.673	293	.907		
	Total	389.787	299			
a. Dependent Variable: Purchase intention						
b. Predictors: (Constant), Social risk, Psychological risk, Financial risk, Privacy risk, Performance risk and Time risk						

The ANOVA test shows that the calculated F value is 22.813 for the degree of freedom 6. It is significant at 1% level. It is concluded that the model is fit to explain the influence of the risk factors on the purchase intention. The following table presents the result.

Table 5
Coefficients

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	0.804	0.228		3.536	0.000**
	Social risk	0.210	0.066	0.211	3.167	0.002**
	Psychological risk	-0.172	0.057	-0.217	-3.006	0.003**
	Financial risk	0.244	0.070	0.230	3.479	0.001**
	Privacy risk	0.117	0.076	0.113	1.535	0.126
	Performance risk	0.210	0.065	0.210	3.239	0.001**

	Time risk	0.149	0.059	0.153	2.511	0.013*
a. Dependent Variable: Purchase intention						

The result of the model explains that the five perceived risks (social risk, psychological risk, financial risk, performance risk and the time risk are significantly influence on the purchasing intention and the privacy risk does not have significant influence. The t values are significant except privacy risk (1.535). It is concluded that the perceived risks are significantly influencing the purchase intention but the privacy is not upto the mark to influence.

Conclusion

In this changing era, and particularly in India, where the service industry is seeing exponential expansion, the internet marketing sector is all set to experience bright future ahead of it. The rise in internet penetration in India has created more opportunities for consumers to do their shopping online. In spite of the growing prevalence of internet usage, there are a number of variables that influence the behaviour of Indian consumers when they shop online. And if online shops were to educate themselves on these characteristics, they would be able to further enhance their prospects and increase the number of prospective consumers who became actual ones. The rapid advancement of information technology (IT) and the widespread availability of the Internet have both contributed to the rise in popularity of online shopping. It is essential to e-commerce that people's perceptions of and attitudes about the hazards posed by doing business online be understood. The use of the internet for shopping may expose customers and retailers to a variety of hazards. The threat of personal and financial information, such as addresses, passwords, and credit card numbers, being stolen or otherwise obtained by unauthorized parties is at the center of many of the dangers that face individual customers. It is concluded that the perceived risks are significantly influencing the purchase intention but the privacy is not up to the mark to influence.

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