The Impact of Perceived Risks on Consumer Online Shopping in the Apparel Industry in Kegalle District in Sri Lanka

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ABSTRACT

With the recent growth of the internet and its use in various businesses, as well as the advantages of saving time and reducing geographic limitations through the Internet, most consumers are focusing on using e-commerce to acquire goods and services. When consumers shop online, they face a variety of issues, including payment security, privacy concerns, e-contact accuracy, inaccurate information disclosure, and many others. As a result, the researcher intends to investigate the impact of perceived risk on consumers' online shopping, with a focus on the online apparel retail market in Sri Lanka's Kegalle district. The study looked at six perceived risk factors that influence consumers' online shopping for apparel products. The study specifically looked at the impact of product risk, financial risk, time risk, information security risk, delivery risk, and social risk on consumers' apparel product online shopping in Sri Lanka's Kegalle district.

To achieve the research objective, the researcher distributed a questionnaire among 200 consumers in the Kegalle district using a convenience sampling method. The researcher analyzed data using the quantitative method via IBM SPSS software.

Results for the univariate analysis indicated that there is a lower level of perceived risk in the apparel industry in the Kegalle district in Sri Lanka and a high level of online shopping in the apparel industry in the Kegalle district in Sri Lanka. Pearson Coefficient correlation indicates that there is a strong negative relationship between perceived risks and online shopping. The r-squared value indicated 0.521, i.e., 52.1% of the variation in online shopping is explained by product risk, financial risk, time risk information security risk, delivery risk and social risk. Finally, concluded that perceived risks has a negative impact on consumer online shopping in the apparel industry in Kegalle district in Sri Lanka.

Keywords: Perceived Risks, Online Shopping, Product Risk, Financial Risk, Time Risk, Information Security Risk, Delivery Risk, Social Risk

BACKGROUND OF THE STUDY

In the context of Sri Lanka and the Kegalle district, where the apparel products industry plays a pivotal role in the local economy, e-commerce has emerged as a transformative force. The apparel industry in Sri Lanka is a key driver of exports and employment (Jayasinghe, 2019) The shift towards online apparel shopping presents immense opportunities for local businesses to reach a global customer base and enhance their competitiveness.

This study focuses on the specific importance and associated benefits of e-commerce in the apparel products industry within the Kegalle district. Understanding the dynamics of online shopping within this context is crucial, as it directly impacts both customers and organizations. Consumers in Kegalle now have the opportunity to access a broader selection of apparel products, discover unique styles, and enjoy the convenience of doorstep delivery. Local apparel businesses can expand their reach, reduce operational costs, and potentially tap into international markets.Given the significance of e-commerce in the apparel products industry and its potential to reshape consumer behavior and business strategies in Kegalle, this study aims to explore this area further.

By investigating the impact of perceived risks on consumer online shopping in this specific geographic and industry context, this research seeks to provide valuable insights for individuals, organizations, and policymakers. It is aimed at addressing the unique challenges and opportunities posed by e-commerce in Kegalle, ultimately contributing to the sustainable growth of the local economy.

In the Kegalle district of Sri Lanka, the penetration of the internet and the proliferation of mobile devices have ushered in a new era of commerce. While traditional forms of trade remain prevalent, the e-commerce sector is rapidly gaining traction. This shift is in line with the global trend of digitalization, where consumers and businesses alike are embracing online platforms for buying and selling goods and services. The journey of e-commerce in Kegalle mirrors the broader transformation occurring in the country. Sri Lanka has been experiencing a digital revolution, with increasing internet connectivity, the proliferation of mobile applications, and a growing middle-class population that seeks convenience and variety in shopping (Economic Intelligence Unit, 2020). These factors have catalysed the adoption of e-commerce as a viable and accessible mode of commerce.

For consumers in Kegalle, the advent of e-commerce has brought about a myriad of benefits. Online shopping eliminates the need for physical travel, reducing time and transportation costs. Moreover, consumers gain access to a diverse array of apparel products from both domestic and international sources. This variety allows for greater choice in terms of style, quality, and price, empowering consumers to make more informed purchasing decisions.

In the international context, extensive research has investigated the relationship between perceived risks and consumer behavior in online shopping. Studies have explored the multifaceted nature of perceived risks, including concerns related to financial security, privacy, product quality, and trust (Kim, 2007). These investigations have offered valuable insights into how these risks influence consumer trust, satisfaction, and loyalty in e commerce.

However, the findings in the international literature are not always consistent. Some studies have reported that perceived risks significantly deter consumers from engaging in online shopping (Featherman, 2003). Others have found that these risks may have a more nuanced impact, with consumers adopting risk mitigation strategies (Lew, 2006). These inconsistencies underscore the complexity of the relationship between perceived risks and online shopping behavior. Furthermore, certain aspects of perceived risks in online shopping remain relatively less examined in the international context. For example, the influence of cultural factors and local market dynamics on perceived risks is an area that requires further exploration. In the local context of Kegalle, Sri Lanka, a significant research gap exists regarding the impact of perceived risks on consumer online shopping behavior, particularly within the apparel products industry. While global trends indicate an increasing preference for online shopping, there is a dearth of local research that delves into the intricacies of this phenomenon within the district.

Local studies often focus on broader aspects of e-commerce adoption and its implications for the Sri Lankan economy (Ministry of Development Strategies and International Trade, 2019). However, they tend to overlook the specific challenges and opportunities faced by consumers and businesses in Kegalle.

This research gap is particularly evident in the absence of studies that address the unique socio-cultural and economic dynamics of Kegalle about perceived risks in online apparel shopping. As Kegalle embraces e-commerce, it becomes imperative to understand how these local factors influence consumer decision-making, risk perception, and the growth of the apparel products industry online.

To address these research gaps, this study employs a context-specific approach, focusing on Kegalle district in Sri Lanka and the apparel products industry. By conducting comprehensive surveys, interviews, and analyses within this local context, it aims to provide valuable insights into the impact of perceived risks on consumer online shopping behavior. Additionally, this study explores the role of cultural factors, local market dynamics, and strategies for risk mitigation, contributing to the development of tailored strategies for businesses, policymakers, and consumers in Kegalle.

In summary, the existing research gaps in both the international and local contexts underscore the need for an in-depth exploration of the impact of perceived risks on consumer online shopping behavior, especially within the unique ecosystem of Kegalle district in Sri Lanka. This study aims to bridge these gaps by offering a context-specific analysis, ultimately contributing to the development of tailored strategies and policies to enhance e-commerce in the region.

Therefore, main research question of this study is;

‘What is the impact of perceived risks on consumer online shopping in the apparel industry in Kegalle district?’

Further, Objective of this study is;

1. To identify the level of perceived risks and consumer online shopping in the apparel industry in the Kegalle district.
2. To identify the relationship between perceived risk and consumer online shopping in the apparel industry in Kegalle.
3. To identify the impact of perceived risks and consumer online shopping in the apparel industry in the Kegalle district.

Literature Review

Perceived Risk

The term perceived risk means the individual’s subjective belief about potentially negative consequences of his/her decision. In other words, “perceived” is used as opposed to objective outcome distributions of an alternative or a product class with which a consumer is associated.

Also consumers are hesitant to engage in new online behaviors due to perceived high risk related to product quality, new payment methods, delivery options, and information content. Perceived risk is a crucial consumer behavior concept that influences a buyer's decision to purchase a product or brand, causing pre-purchase insecurity about expected loss (Aboobucker, 2019).

Product Risk

When apparel products are compared online, the color, shape, cloth material or appearance of the products can differ, because it is beyond the consumer’s reach and abilities to analyze and verify the actual product qualities. As a result, consumers may perceive a product risk as a result of circumstance (Zheng., 2012).

Financial Risk

Financial risk is Potential loss of the current cost as well as additional charges in future (e.g. possibility product may need to be repaired, be changed, or difficulty to get money back) (Aboobucker, 2019).

Time Risk

Time risk comprises the troublesome experience through online transactions that are often caused by the struggle of navigation and submitting the order and delays of getting the product Time risk is Similar to performance risk, fear of consumers about the product doesn’t perform as described and caused the longer time of returning and waiting processes for the product to be delivered (Ariff., 2014).

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Security risk

It is defined as a potential loss due to online fraud or hacking, which exposes the security of an internet transaction or online user (Heirsh Soltanpanah, 2012) consumers learn about the worth of products by using website features that include high quality product details, purchase and distribution capabilities, and professional customer service.

Delivery Risk

Delivery risk is Fear of consumers about the delivery will not be performed on time or that the product is damaged during the process of delivery (Ariff., 2014). Delivery risk is not receiving the product on time, long delivery time, or product being damaged during the delivery (Aboobucker, 2019).

Social Risk

Social risk refers to the perceived judgment on the product purchased that creates dissatisfaction among family, friends are communities (Dowling & Staelin, 1994)**.** Social risk is the resistant/pressure from the friends or the family (Aboobucker, 2019).

Consumer Online Shopping

Online shopping is a form of electronic commerce whereby consumers directly buy goods or services from a seller over the Internet without an intermediary service (Mathew, 2015). Online shopping is becoming increasingly popular for variety of reasons. There are certainly outside factors such as increasing gas prices, difficulty in getting to traditional stores and hassles often associated with shopping malls and other traditional stores to contribute to the increased interest in online shopping. Online shopping has grown since the late 1990s, with a growing number of consumers purchasing diverse products online. To understand consumer acceptance, researchers conducted a survey and developed the Online Shopping Acceptance Model (Antonijevic.,2014).

Relationship between Perceived Risks and Consumer Online Shopping

Research shows a significant positive relationship between perceived risk and online buying behavior, influencing website decision-making and processes, particularly in e-business ethics and buyer rights (Arshad., 2015)**.** According to Liang and Huang, there is a positive relationship between perceived financial risk and online purchasing behavior. Consumers who are concerned about the security of their financial transactions may be unwilling to shop for clothing online (Liang, 1998). According to Gefen, consumers may avoid online shopping if they perceive it to be more time-consuming than traditional in-store shopping. Negative perceptions of time risk may result in a preference for more time-efficient shopping channels (Gefen, 2000). Pavlou's study highlights the positive relationship between perceived information security risk and online purchasing behaviour.

Conceptual Framework

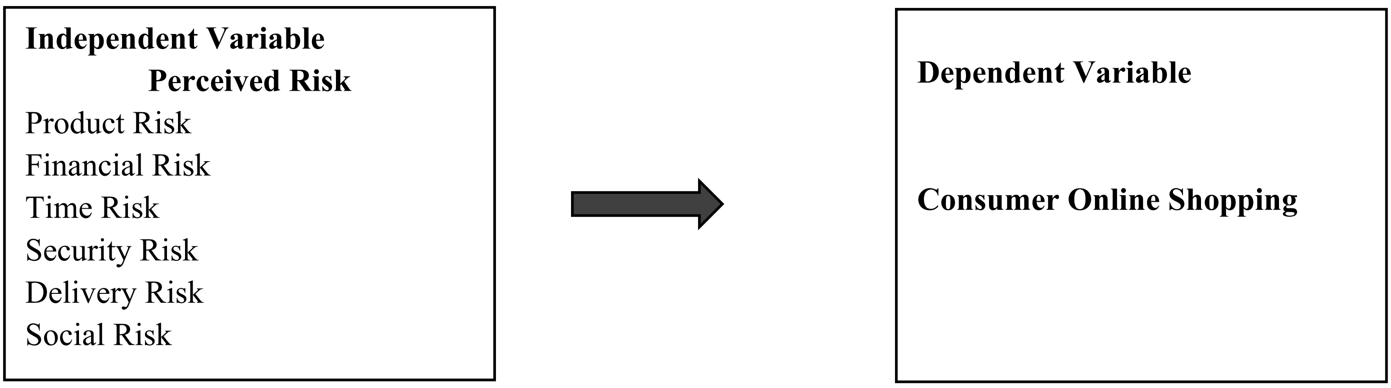

Figure 1: Conceptual Framework

(Source: Developed for Research Purpose)

DATA PRESENTATION AND DISCUSSION

Discussion about Personal Information

This study discusses six personal factors namely gender, age level, occupation, education level, internet usage per day, and monthly income. This study had 200 respondents from the Kegalle district. Out of all respondents, most respondents (61.3%) were females and 38.7% of respondent's males. This makes it clear that females do most of the online shopping in the apparel industry. Based on occupation and age–wise responses, most of the students (66%) were in the age range of 21-25 contributing to (70%) of this study. That may be due to the reason that most online shopping people in a Kegalle district are from the age range. The least number of responses (2%) were from the age group above 36. They are retired people. Based on the education level, the highest number of respondents (68%) were from the graduates. Based on the income classification, the highest number of respondents (55.3%) Rs. 21000-50000 income range people. Based on the internet usage per day classification, the highest number of respondents (30%) 1-2 hours internet usage per day people.

Discussion about Research Information

Objective 1: To measure the level of perceived risks and consumer online shopping in apparel industry in Kegalle district

Table 1: Determining the Level of Perceived Risk and Consumer Online Shopping

Measure	Mean	Standard Deviation	Decision Attributes
Perceived Risks	1.5967	0.44498	Lower level
Online Shopping	4.5114	0.49553	High level

(Source: Survey Data)

The first objective of the study is to find out the level of perceived risks includes six dimensions. The finding of this study displayed that a lower level (X<3) of the perceived risks exists in apparel industry in Kegalle district. The finding of this study displayed that high level (X>3) of the online shopping in apparel industry in Kegalle district.

Objectives 2: To measure the relationship between perceived risks and consumer online shopping in apparel industry in Kegalle district

Table 2: Determining the Relationship between Perceived Risks and Consumer Online Shopping

Correlations									
		Online Shopping	Product risk	Financial risk	Time risk	Information security risk	Delivery risk	Social risk	Perceived Risk
Online Shopping	Pearson Correlation	1	- .537**	- .581**	- .564**	- .514**	- .632**	- .435**	**- .685****
	Sig. (2tailed)		.000	.000	.000	.000	.000	.000	**.000**

	N	200	200	200	200	200	200	200	**200**
**. Correlation is significant at the 0.01 level (2-tailed).									

The correlation coefficient (r) value between perceived risks and consumer online shopping is -0.685 at a 0.00 significant level (P<-0.05). So the correlation coefficient (r) value falls on the first attribute (-0.5 < r < -1=Strong Negative Relationship) of the decision rule. This provides a strong negative relationship between the Perceived Risks and consumer online shopping in apparel industry in Kegalle district in Sri Lanka.

Objectives 3: To measure the impact of perceived risks and consumer online shopping in apparel industry in Kegalle district

Regression Analysis between Product Risk, Financial Risk, Time Risk, Information Security Risk, Delivery Risk, Social Risk and Online Shopping

The result of multivariate regression analysis between the perceived risks and consumer online shopping are shows in the table in order to identify the impact of perceived risks on consumer online shopping in apparel industry in Kegalle district in Sri Lanka.

Table 3: Model Summary

Model Summary				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.722[a]	.521	.501	.35005

(Source: Survey Data)

R indicates that the six independent variables and the dependent variable have a strong negative relationship. The "R square" statistic indicates that the six independent variables in the regression model accounted for 52.1%of the total variation in consumer online shopping in apparel industry.The "Adjusted R square" 50.1% indicates that it is and adjustment of the R-squared that penalizes the addition of extraneous predictors to the model. The Adjusted R^2statistic is typically smaller than the R^2statistic because it downward adjusts the R^2statistic when additional variables of limited significance are added to a model. It is a common practice to say that one regression model "fits" the data better than another regression model if its adjusted R^2statistic is lower.

Table 4: ANOVA*

ANOVA[a]						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	19.433	6	3.239	26.432	.000[b]
	Residual	17.891	146	.123		
	Total	37.324	152			
a. Dependent Variable: Online Shopping						
b. Predictors: (Constant), Social risk, Product risk, Financial risk, Delivery risk, Information security risk, Time risk						

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(Source: Survey Data)

The ANOVA finding also confirm the existing correlation between the independent and dependent variables. As it indicates that the P-value is 0.000 which is less than 0.05 it shows that the model is statically significant in explaining the impact of perceived risks on consumer online shopping in apparel industry.

Table 5: Test for Impact of Independent Variables on Online Shopping

Coefficients[a]						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	5.818	.111		52.220	.000
	Product risk	-.234	.071	-.227	- 3.275	.001
	Financial risk	-.181	.071	-.204	- 2.554	.012
	Time risk	-.152	.078	-.176	- 1.950	.053
	Information security risk	-.091	.073	-.105	- 1.250	.213
	Delivery risk	-.235	.081	-.251	- 2.887	.004
	Social risk	.055	.064	.074	.853	.395
a. Dependent Variable: Online Shopping						

(Source: Survey Data)

The unstandardized constant statistic is 5.818 units. it shows that the model would predict that value if all the six independent variables were zero. The b coefficient for product risk is -0.234. this mean that on average if the product risk scale goes up by 1 point, consumer online shopping will decrease by -0.234 units. The b coefficient for financial risk is -0.181 this mean that on average if the financial risk scale goes up by 1 point, consumer online shopping will decrease by -0.181 units.

The b coefficient of time risk is -0.152 this mean that on average if the time risk scale goes up by 1 point, consumer online shopping will decrease by -0.152 unit. The b coefficient for information security risk is -0.091. this mean that on average if the information security risk scale goes up by 1 point, consumer online shopping will decrease by -0.091 units. The b coefficient for delivery risk is -0.235. this mean that on average if the delivery risk scale goes up by 1 point, consumer online shopping will decrease by -0.235 units. The b coefficient for social risk is 0.055. this mean that on average if the social risk scale goes up by 1 point, consumer online shopping will increase by 0.055 units.

CONCLUSION AND RECOMMENDATION

Results for the univariate analysis indicated that there is a lower level of perceived risk in the apparel industry in the Kegalle district in Sri Lanka and a high level of online shopping in the apparel industry in the Kegalle district in Sri Lanka. Pearson Coefficient correlation indicates that there is a strong negative relationship between perceived risks and online shopping. The r-squared value indicated 0.521, i.e., 52.1% of the variation in online shopping is explained by product risk, financial risk, time risk information security risk, delivery risk and social risk. Finally, concluded that perceived risks has a negative impact on consumer online shopping in the apparel industry in Kegalle district in Sri Lanka.

Further, E-commerce platforms should prioritize secure and transparent payment methods to reduce financial risk. To increase consumer trust in financial transactions, clearly communicate the security measures in place, use reputable payment gateways, and consider incorporating cash-on-delivery options. Reduce time risk by optimizing the online shopping process. Implement user friendly interfaces, efficient navigation, and quick loading times. Providing tools like filtering options and personalized recommendations can help consumers find products faster, improving their overall online shopping experience.

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