

**THE EFFECT OF PERCEIVED RISK ON ONLINE SHOPPING AMONG INDIAN
STUDENTS AT UTEM**

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**BACHELOR OF TECHNOLOGY MANAGEMENT (Hons) IN INNOVATION
TECHNOLOGY
UNIVERSITI TEKNIKAL MALAYSIA MELAKA**



2023

**THE EFFECT OF PERCEIVED RISK ON ONLINE SHOPPING AMONG INDIAN
STUDENTS AT UTEM**

DANIEL SAGAYAM A/L VVAHAR

**A report submitted
in partial fulfillment of the requirements for the degree of
Bachelor of Technology Management (Hons) in Innovation Technology**



Faculty of Technology Management and Technopreneurship

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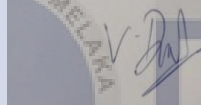
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DECLARATION

I declare that this thesis entitled “THE EFFECT OF PERCEIVED RISK ON ONLINE SHOPPING AMONG INDIAN STUDENTS AT UTEM is the result of my own research except as cited in the references. The thesis has not been accepted for any degree and is not concurrently submitted in candidature of any other degree.

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APPROVAL

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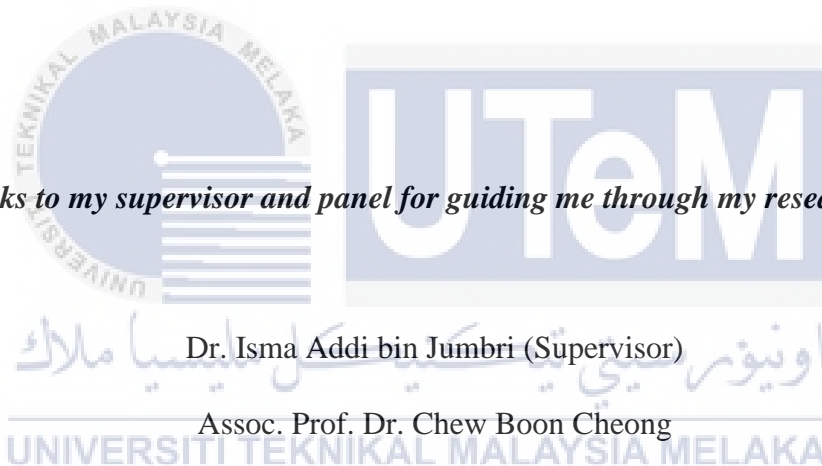
DEDICATIONS

I would like to dedication my gratitude to my dear parents, who have supported me through my journey during this study, both monetarily and spiritually.

Vvahar a/l Kunjikannan

Merry a/p Arokiasamy

Big thanks to my supervisor and panel for guiding me through my research study.



Thank you so much for always being understanding, as well as to my friends who supported and assisted me, without their support and blessing, this study would be difficult to accomplish in the time allotted. Thank you very much!

ACKNOWLEDGEMENTS

God is to be praised for granting me the strength and ability to accomplish my project research efficiently. Mr. Vvahar a/l Kunjikannan and Mrs. Merry a/p Arokiasamy, my wonderful parents, made it possible for me to complete my thesis. I am eternally grateful to my beloved supervisor, Dr. Isma Addi bin Jumbri, and my panel, Assoc. Prof Dr. Chew Boon Cheong, for your guidance, stimulation, ideas, encouragement, and advice during my research and thesis preparation.

Lastly, I'd like to express my appreciation to all my friends and teammates. I would want to thank them for their assistance, support, interest, and useful suggestions in completing the report, which they always appreciate, aid, and support me with. I am grateful to all my family members.



ABSTRACT

Online shopping is a platform that is used frequently in this 21st century. During the pandemic hit the world in 2020, all the retail stores were closed, and people bought products according to their necessary online, which had no more options. The most popular online platforms in Malaysia are Lazada, Shopee and Mudah.my, from which Malaysians often buy products. This study is to identify the factors affecting online shopping behaviour, study the and determine the most significant factor of perceived risk factor and online shopping behaviour among UTeM Indian students. The independent variables for this research are financial risk, product quality risk, time risk, and social risk. This research uses quantitative analysis to obtain the necessary information by using primary data that distribute the form. The online survey questionnaire via Google form used as primary data and the secondary data from online research such as articles, journals and academic books used in this research. Besides, this study consists of reliability and validity to ensure that this research is reliable and accurate, while a cross-sectional study can obtain data from a period. The research design applied the questionnaires as the analysis method, and 278 respondents were configured as the sample size for this analysis. Data are obtained and interpreted using the Statistical Package for Social Science (SPSS) software for the questionnaire related to this research and multiple regression analysis to determine the nature of the connection between two variables.

ABSTRAK

Membeli-belah dalam talian adalah platform yang kerap digunakan pada abad ke-21 ini. Semasa wabak melanda dunia pada tahun 2020, semua kedai runcit ditutup, dan orang ramai membeli produk mengikut keperluan mereka dalam talian, kerana tidak mempunyai pilihan lagi. Platform dalam talian yang paling popular di Malaysia ialah Lazada, Shopee dan Mudah.my, yang mana rakyat Malaysia sering membeli produk. Kajian ini adalah untuk mengenal pasti faktor-faktor yang mempengaruhi tingkah laku membeli-belah dalam talian, mengkaji dan menentukan faktor yang paling signifikan bagi persepsi faktor risiko dan tingkah laku membeli-belah dalam talian dalam kalangan pelajar India di UTeM. Pembolehubah bebas untuk penyelidikan ini ialah risiko kewangan, risiko kualiti produk, risiko masa dan risiko sosial. Penyelidikan ini menggunakan analisis kuantitatif untuk mendapatkan maklumat yang diperlukan dengan menggunakan data primer yang mengedarkan borang. Soal selidik tinjauan dalam talian melalui borang Google digunakan sebagai data primer dan data sekunder daripada penyelidikan dalam talian seperti artikel, jurnal dan buku akademik yang digunakan dalam penyelidikan ini. Selain itu, kajian ini terdiri daripada kebolehpercayaan dan kesahan untuk memastikan penyelidikan ini boleh dipercayai dan tepat, manakala kajian keratan rentas boleh mendapatkan data daripada satu tempoh. Reka bentuk kajian adalah untuk menggunakan soal selidik sebagai kaedah analisis, dan 278 responden telah dikonfigurasi sebagai saiz sampel untuk analisis ini. Data diperoleh dan ditafsir menggunakan perisian Statistical Package for Social Science (SPSS) untuk soal selidik berkaitan penyelidikan ini dan analisis regresi berganda bagi menentukan sifat perkaitan antara dua pembolehubah.

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LIST OF SYMBOLS AND ABBREVIATIONS

FR	-	Financial Risk
PQR	-	Product Quality Risk
TR	-	Time Risk
SR	-	Social Risk
UTeM	-	Universiti Teknikal Malaysia Melaka
TMB/TMnet	-	Telekom Malaysia Berhad
S	-	Shopee
L	-	Lazada
M	-	Mudah.my
C2C	-	Consumer to consumer
CPI	-	Consumer Price Index
COD	-	Cash On Delivery
B2C	-	Business to consumer
SPSS	-	Statistical Package for Social Science



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CHAPTER 1

INTRODUCTION

1.1 Introduction

This chapter introduces the scope of this study on the topic, which is the effect of perceived risk on online shopping among Indian students at UTeM. This introduction has divided into seven main sequences: research background, problem statement, research questions, research goals, scope, limitation of the research and the significance and contribution of the study. This study will focus on the perceive risk factors among consumers and measure their purchase decision. The chapter will also discuss the research objectives, which are factors affecting online shopping behaviour of UTeM Indian students and identify the most significant factor that affects online shopping behaviour of UTeM Indian students.

1.2 Background

Nowadays, the growth of online shopping is increasing. The main reason for the growth is the Internet, the advancement of technology used by millions worldwide. However, the secured transaction is much more critical (Tham et al., 2019). In Malaysia, the Internet has been growing steadily since the first internet provider launched, Joined Advanced Integrated Networking (JARING) in 1990. Later it renamed as Telekom Malaysia Berhad (TMB/TMnet) in 1996. Malaysia has developed as an e-commerce market with the highest (TheStarOnline, 2018) growth.

In this modern era, all e-commerce has an unchangeable marketing channel in business operations. In B2C transactions, online stores and services are essential sales channels. Product security, efficiency, variety, and services have developed quickly; the e-commerce industries also need to develop quickly to have constant progress in

meeting online consumers' expectations and changing needs. Studying online shopping behaviour has become essential research in the e-commerce industry to know consumers perceive risks. According to Tham et al.,(2019), even though Malaysia has constant growth in e-commerce, it is still vital to manage consumers' perceived risk to allow them to buy more. He also stated that the research had been done in a few unspecified locations in Malaysia.

Attitude and perceived risk have a considerable influence on online shopping behaviour. In a traditional economy, the theory claims that consumers are usually very rational and analyze information before purchasing (Balakrishnan, K, Verrecchia, R.E, Vashishtha, 2019). On the other hand, digital economy, time allocations, trustworthiness, and attention are limited. Making safe purchases will reduce the rational conflict and the dilemma between what is expected and what had received. In addition, the shopping of the Indian community also increases during post covid. Indian community prefer to buy groceries. Most of the time, Indians prefer to shop online to buy medium-value items such as electronic accessories, sports goods, and apparel. During covid, Indians shop online to buy grocery items, states (Balakumar, 2021).

According to Bach et al., (2020), it has been said that the greater the distance, the more significant number of disappointments on purchase. When a product is valuable and expensive to a person, the more the person will search for the product online and in-store. Customers' decision-making in their perceived risk is also related to previous experience and purchases. According to Ariffin et al., (2018), the consumer's perceived risk will reduce when they make more purchases and experience similar shopping. All purchases remain different and irreplaceable even though online purchasing reduces risks. The function of marketing, which is increasingly digital, is to improve the value customers perceive, particularly regarding online transactions and value development. The issue for merchants today is reducing consumers' risk when purchasing online. This research study will focus on Universiti Teknikal Malaysia Melaka (UTeM) Indian students' behaviour towards online shopping and the factors that affect their online shopping.

1.3 Problem Statement

So far, lots of researchers have found that studying online shopping is much more important. This is because since the curfew and movement control order for covid-19 has been announced, many people having difficulties purchasing items in stores. So, the online purchasing rate has increased. According to Sarah Moey, (2019), 91% of Malaysians has spent searching for products and services online, and 80% of overall Malaysians purchased product and services online. Hossein et al., (2017) argues that customers always predict perceived risks before purchasing any product or service online, such as financial, non-delivery, and product quality. Psychological issues such as trust, technological acceptance, and security are mostly related to website design. Here, trust is a part of the psychological factor of perceived risk for online shopping.

According to the Department of Statistics Malaysia DOSM (2022), the consumer price index has increased by 2.5% for 2021. The department also stated that transport contributed the highest rate, around 2.5% of CPI (11.0%). This shows that oil and gas play a significant role in Malaysia's economy. Thus, most of the product and service prices have increased in Malaysia. So, consumers will only buy products in retail stores if they need to fuel their car for travelling. In this case, consumers are more willing to buy products online. However, they will still look for free deliveries (Duvall, 2019)

This is because, according to Jenkins-Lyttle, (2021), reducing the barrier of cost perception is one thing, but pricing something at "\$0" has other results. All the advantages with no adverse consequences. The term for this is the zero-price effect. Even when the alternative has a high perceived value, it produces a disproportionate attraction towards the free option. Because of their exaggerated beliefs, online customers are naturally enticed by 'free' offerings. This influence is so strong that 85 per cent of buyers consider free delivery more significant than speedy shipment during the festive season. The issue for merchants is clear, either offer expedited shipping for a modest cost or offer free shipping.

The change in price makes the customer reduce their online purchasing. This becomes a risk when it comes to online purchasing. This can be called financial risk, whereby customers tend to think twice before purchasing anything. This is because a different platform has different prices. Thus, consumers always need clarification on whether to buy or not. Sometimes products or services in stores are cheaper than online. This makes the customer less believe in online pricing. Thus, customer purchasing behaviour strongly relates to financial and product performance risks.

The major global issue is supply-chain (demand & supply) and business downturns due to the Ukraine-Russia war in 2022. The war had a major effect on the import and exports of most countries. Covid-19 has already hit most countries' supply and demand chains; this war has stopped making raw materials and producing manufactured goods. So, China is, unfortunately, unable to meet global demands (Ordonez, 2022). Additionally, logistics also have been affected by the war. This is because Ordonez also stated that Airspace and road closures. The world community has decided not only to restrict the Ukrainian airspace where the combat is taking place but also to prohibit Russian planes from flying over its borders. There is no longer any commercial aircraft, and the roads are inaccessible. China is one of the top manufacturers, while Russia is the main supplier of oil and gas to Europe (40% of that is consumed in Europe). This battle has had a decisive effect on the price of gasoline, which raises the price of everything since it is unsustainable for many businesses to absorb the increase. It decreases consumption.

In that case, the delivery risk can be seen here, whereby most e-commerce business centres worldwide have stopped shipments and exports to Ukraine and Russia. Thus, when people purchase products from Russia-Ukraine, the deliveries can be late or even not happen. According to Steiner, (2022), while shipping is the most pressing worry for retailers, some rely on developers in conflict-affected nations to power their online storefronts and websites. This closed international shipping issue creates risk among consumers.

The covid-19 has changed many Malaysians' earnings, spending, and saving their money. During the pandemic, online shopping was among consumers' worst

buying habits. Therefore, increased vigilance is required when making online purchases. According to Muthusamy & Krishnan, (2022), Malaysians must revise their financial status and establish new positives. This is because Malaysians have faced the new issue of emotional stress whereby the lowest saving people struggle to have enough money to make ends meet. Emotional shopping has grown among Malaysians as they place high importance on their wealth status and material things.

The unstoppable growth of the Internet differs purchase intention of every customer in Malaysia. This new technological device allows firms to meet their customers' needs. However, the growth of technologies only sometimes meets customer needs. In online shopping, even though making purchases are made easily, it is hard to get the product, as seen on the screens. This product packaging failure and damaged items issues can be perceived as a risk in online shopping. However, this technology helps maintain customers' loyalty and trust by making them return items and claims. This is because customer interaction makes the customer's decision-making process easy. When the risks are reduced, the trust increases when purchasing online, supporting purchase decisions. Trust is related to weakness, hope and an individual's self-control.

Much research focuses on the same topic, but only 1 study has been conducted among university students in Malaysia (Ahmad, 2018). The study was conducted before the covid-19 pandemic. Since the research is about post-pandemic, there needs to be research on online shopping behaviour among university students. So, the research focus is research among university students, especially Indian students at UTeM. The researcher wants to know the perspective of Indians towards online shopping. This research focuses on the factors that influence customers' online shopping behaviour. Thus, this research works on the relationships between perceived risk and their behaviour towards online shopping. The ultimate purpose of this study is to identify the most significant factor of perceived risk factors and online shopping behaviour.

1.4 Research Questions

1. What are the factors affecting online shopping behaviour of UTeM Indian students?
2. What is the most significant factor affecting online shopping behaviour of UTeM Indian students?

1.5 Research Objectives

1. To identify the factors affecting online shopping behaviour of UTeM Indian students.
2. To determine the most significant factor affecting online shopping behaviour of UTeM Indian students.

1.6 Scope and Limitation

1.6.1 Scope of Research

The study evaluates challenging factors affecting online shopping behaviour among Indian students at UTeM. The researcher limits his research online to five online factors which not able to examine due to the limited extent of this paper. The factors that will be examined are financial risk, product quality risk, time risk, social risk, and online shopping. Various locations might lead to different data and findings. Furthermore, using the average has numerous risks, such as restricted findings and a single aspect of diverse statistics.

Furthermore, the sample size of this study is 278 respondents who have bought things online. These respondents are the users of online purchasers from e-commerce such as Shopee, Lazada, and Mudah.my sites. This study aims to recognise the significant factor that affects online shopping behaviour among the Indian community at UTeM.

1.7 Significant of study

The findings of this study are the real factors that affect online shopping among the Indian community in UTeM. In the context of globalisation, there is much similar research with different generations and various categories of people. In Malaysia, the online purchase tendency was remarkably high in 2019 (Muller, 2021). This shows that various categories of people can be studied to get findings. There are many factors/risks affecting online purchases besides these four, financial, product quality, social, and online shopping behaviour. However, these four are the widespread problem everyone faces during online purchases. From these factors, we can know how risks can be reduced and increase online shopping for e-commerce businesses. This research would be better in understanding the factors that influence online buying behaviour. Thus, this research is essential in knowing the fact between the purchase behaviour of customers and the factors that change them to do so.

Individuals are more likely to get information online. This brings that all the reviews can be done online so others can see them. Through analysing some data using regression analysis, the study can analyse the relationship between financial, product quality, social and time risk and online shopping tendency and arbitration.

This study will deliver the current state of purchasing behaviour of customers in the Indian community online, especially during the post-pandemic. This study also can measure the strong connection between risk factors which affect the online purchase. This study also can contribute to other research to know the challenges that affect customers during the post-pandemic. It will show how significant the risk brings changes in online purchases.

1.8 Summary

This chapter gives conclusions of the full research study. In this study, the current research identifies the current state of understanding of risks, particularly in research questions and the objectives of this Chapter 1 topic. The research brings

forward the following the objective of this study, scope, and limitations. In the next chapter, this information will be helpful.

