

## **The Influence of Customer Perceived Risk on Online Purchasing Intention: with reference to Fast fashion Retail industry in Sri Lanka.**

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### **Abstract**

Consumers' lifestyles and behavioral habits have altered substantially since the advent of digital marketing platforms, which has a big influence on consumption. More significantly, despite the fact that internet buying has many benefits, some consumers are a little more skeptical about it. According to the literature, there are several restrictions that affect consumers' purchasing intentions for online consumption of retail fashions and a nation like Sri Lanka is not particularly strong for online transactions or online shopping. This study is primarily based on online consumers' behavioral shopping intentions. The independent variable, customer perceived risk is comprised with Financial Risk, Product Risk, Information Security Risk, Time Risk, Psychological Risk and delivery Risk. This study uses the positivistic research paradigm and deductive approach. Accordingly, purposive sampling technique was used by delivering the 400 questionnaires to internet users in Colombo district. Accordingly, data were analyzed using SPSS software after removing outliers. To evaluate the data, the study employed descriptive statistics, correlation analysis, and regression analysis. According to the findings, Time risk was found to be not significant for purchasing online. Delivery Risk and Information security risk were the top-ranked determining variables among the major elements. Consequently, by reducing their perceived risk, this research assists in educating all dealers on how to draw clients to their online platform.

**Key words:** *Online Consumer Buying Behavior, Perceived Risks, Sri Lanka*

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## Introduction

Since the development of the Internet, the world has become more accessible and closer. Also, the Internet is used in a wide range of occupations and enterprises to do business with both internal and external parties, managing manufacturing processes and to accomplish a wide range of other goals. Because of technological improvements, people can now do business more readily, and internet shopping has become more convenient because nobody no longer needs to leave the house. Due to the complexity of the modern world, people need to engage at least four or five different vocations (Madhusika and Dilshani, 2020). It demonstrates that the most important aspect of modern existence is time saving. Individuals may simply utilize mobile phones with Internet connectivity in this fashion, providing them with the option of meeting their demands. "Online purchase intention" refers to a consumer's willingness and expectation to do business online.

However, lack of computer literacy, poor infrastructure and poor consumer protection laws are some of the most pervasive problems that have a negative impact on peoples' desire to undertake online business. (Pavlou, 2003). Online shoppers are also more vulnerable to risk on the internet than conventional offline shoppers since they are transacting with unfamiliar merchants and suppliers (Iqbal, 2021). When developed countries are moving along with the fast fashion retail industry, as a developing country Sri Lanka has also adopted the emergence of the fast fashion retail industry. (Habarangoda & senarathne,2020). New advances on the internet and its associated technologies are opening great avenues for the development in many low- and middle-income countries (Ashoer,2017). As a result, developing countries are rapidly acquiring information technologies to increase internet access in many sectors. Despite the several barriers that stand in the way,one of the major bottlenecks for online fast fashion industry is the perceived risk of the

customers (Shewan et al,2021).In order to ascertain the danger that online buyers perceive in various scenarios, this research is necessary and very important. Being a developing country, Sri Lanka urgently needs to identify the obstacles faced in online shopping. Although, numerous global studies have explored the perceived risks associated with online shopping intention, it is evident that the cross-cultural applicability of these findings is quite questionable due to variations in economic development, Internet infrastructure, computer literacy, consumer behavior, technology adoption, and cultural differences. Therefore, there is a need for studies that investigate the risks perceived by online shoppers in different contexts. Moreover, as a preliminary study the researcher found in practice that some customers are really disappointed with the differences of the product what they order and what they actually receive and thus it generates the need of further investigating in this area.

Consequently, this study was conducted to examine the impact of customers' perceived risk on their intention to purchase fast fashion items online. Nevertheless, neither the Electronic Transactions Act, No. 19 of 2006, nor the Consumer Affairs Authority Act, No. 9 of 2003, nor any other parts of Sri Lankan legislation directly address the difficulties faced by online clients (Ariyaratne,2018) and studies in literature in Sri Lanka have not highly consider about this particular area. In Sri Lanka, as a developing nation, there is a definite need to identify the challenges encountered there as well as the driving forces.

The objectives of the study are,

1. To identify the different risk factors, influence on online purchase intention
2. To identify the impact of each risk factor on customer online purchase intention.



## Literature Review

Risk is a major factor in consumer behavior and helps to explain why people seek out information and make purchases (Barnes et al., 2007). Higher amounts of anticipated losses have an impact on customers' make a purchase. According to Featherman & Pavlou (2003), financial risk is the possibility of losing money when a consumer pays a price that is too high in comparison to the value of the product, which could be the result of fraudulent activity. Also, it is suggested that there is a connection between financial risk and the burden of prospective maintenance cost risk for the purchased item. Popli & Mishra (2015) also emphasized that the financial risk includes prospective costs for product repair as well as unstated maintenance costs that could be levied to the consumer.

### Financial Risk

This can be defined as the potential loss of money in the event that purchases are made online; financial risk is one of the most reliable indicators of consumers' desire to with the initial purchase of the goods. According to Pi & Sangruang (2011), this financial risk is the difference between the actual cost of online purchases and the budgeted amount. According to Hong & Cha (2013), many internet shoppers continue to believe that there is a significant financial risk and customers were hesitant to buy things online as a result since they would suffer financial loss. According to Tham et al. (2019), financial risk is a significant factor in how consumers decide whether to follow through on their purchase intentions. Furthermore, numerous investigations have identified an inverse perception of risk (Ariffin, Mohan, & Goh, 2018). The perceived risk can be defined as the potential for financial loss while pursuing a desired outcome; it mixes ambiguity with the likelihood of a serious consequence (Ko, et. al., 2010). Accordingly, Researchers have identified a number of perceived risks associated with

online purchasing plans. concludes that the corporation must continue to pay attention to financial risk because it still deters customers from buying from online merchants.

*Hypothesis 1: There is a negative impact of financial risk on online consumer purchasing intention.*

### Product Risk

Pi & Sangruang (2011) emphasized the product risk as the potential risk that a product would fall short of customer expectations. In other words, Tham et al. (2019) defined the product risk as the falling of product's performance of what was anticipated. Accordingly, the difference between the risk that really occurs and the danger that was anticipated can be defined as the product risk. Consumers are aware that there is a risk involved with online shopping because they are unable to physically inspect the product (Saprikis et. al, 2010). According to Dai et al., one of the most common factors when selecting whether or not to make an online purchase is product risk. Due to the nature of online shopping, It negatively affects their decision to buy because they can't see the thing in person and must rely only on the information given (Bhatnagar, 2000). More Significantly, Masoud (2013); Tham et al. (2019) and Ariffin et al. (2014) point out that customers' intention to purchase online is effected by product risk and it is a considerable factor deciding the online purchase intention. This resulted from the inability to personally inspect the product, which increased the uncertainty surrounding whether or not to purchase. In light of the reasons stated above, the following hypothesis was developed.

*Hypothesis 2: There is a negative impact of Product risk on online consumer purchasing intention*

### Informational Security Risk



Security risk is one type of risk that frequently influences consumers' desire to buy. According to Arshad et al. (2015), a security risk is a scenario in which a firm might misuse a customer's personal information. This can make it harder for customers to buy from that business. Youn (2009) stated that the lack of clarity surrounding how internet businesses handle customer information and who has access to it has an impact on information security and privacy. According to Hong & Cha (2013), numerous researchers have found that security-related concerns have emerged when making online purchases. Furthermore, this study claimed that internet criminals, scammers, and even marketers might intercept, gather, and abuse their credit card information. Moreover, Featherman & Pavlou (2003); Kim and Ferrin (2009) pointed out that informational security risk has a major influence towards customers' intention to purchase online. According to Masoud (2013), if there are no security mechanisms in place, consumers' purchase intentions will suffer even though they can understand the information about the advantages and value of the product, attraction of the product, and all the platform features available that could make online shopping more convenient. Accordingly, the third hypothesis can be built up as follows.

*Hypothesis 3: There is a negative impact of Informational security risk on online consumer purchasing intention.*

### **Time Risk**

According to Pi & Sangruang (2011), time risk refers to the time invested in making a product purchase as well as the time lost if a product or service is selected. The study focused on two time-related dimensions: the length of the purchasing procedure and the time required to fix or return a product in the event of a problem after purchase. The time spent looking for an appropriate vendor, appropriate products, and executing the purchase is the first step in the purchasing process. According to Forsythe et al. (2006), time risk includes unsatisfactory online

transaction experiences that are typically caused by time-related issues and delays in product delivery. Hence, time risk includes the period of time required for the product to arrive at the consumer front door. Second, time risk covers situations where products don't live up to customers' expectations and they have to send them back for a new one (Ariff et al., 2014). If a purchased item needs to be fixed or replaced, time, accessibility, or effort may be wasted. Moreover, In and Shin, (2018) further explained that customers will be demotivated because of the negative relationship of time risk and the customers' online purchase intention and further explained that it can affect their purchase intention, as consumers might be less likely to buy if they perceive the delay as too long. However, Said (2017) and Masoud (2013) demonstrates that customers' intention to purchase online is not affected from the time risk. According to Ariffin et al. (2018), buyers may be less likely to shop online if they spend more time looking up information about unfamiliar products and waiting for high-pixel photos to download. Thus, the following hypothesis is developed:

*Hypothesis 4: There is a negative impact of Time risk on online consumer purchasing intention*

### **Psychological Risk**

Psychological risk is defined as the potential loss of self-esteem caused by the frustration of not achieving a purchasing goal (Stone and Grnhaug,1993).Psychological risk can also be characterized as a consumer's discontent with a poor product or service while having a wide range of options (Ueltschyetal.,2004).Psychological risk is related with the consumer's view of how his or her bad judgment after making a bad purchase leads to social risk, referring to his or her perception of how others will react to his or her purchase. Furthermore, consumer satisfaction with defective items might have a detrimental impact (Jacoby and Kaplan, 1972). Because of possible regrets and unhappiness, consumers may experience mental strain in the future as a result of



purchasing decisions that did not match their expectations. Uncertainty or tension may be the source of psychological risk, influencing their purchasing decision. According to Bhukya and Singh (2015), in order to boost a customer's purchasing intention, the psychological risk must be greatly reduced. Furthermore, there are social and psychological hazards. Furthermore, social or psychological risks have a negative relationship with customer purchasing intentions (Han and Kim, 2017).

*Hypothesis 5: There is a negative impact of psychological risk on online consumer purchasing intention*

**Delivery Risk**

Delivery risk was defined by Dan et al (2007) as possible losses occurring due to product loss, quality losses due to damaged items during delivery, and destination issues due to delivery to the incorrect address after

shipping and normally, the third-party company is responsible for handling the shipping process. According to Hong & Cha (2013), if the delivery provider lacks business expertise, the cargo containing the ordered product may be lost or delivered to the incorrect address. Delivery risk was explained by Popli & Mishra (2015) as concerning the online consumers' worries about delivery delays, damage during transit, and the possibility of inadequate packaging and poor administration. Moreover, it further concludes that it negatively impacts online purchase. Moreover, Masoud (2013) and Ashoer & Said (2017) demonstrate that Intention to purchase online is conversely affected from delivery risk. Accordingly, the following hypothesis is developed based on the above facts.

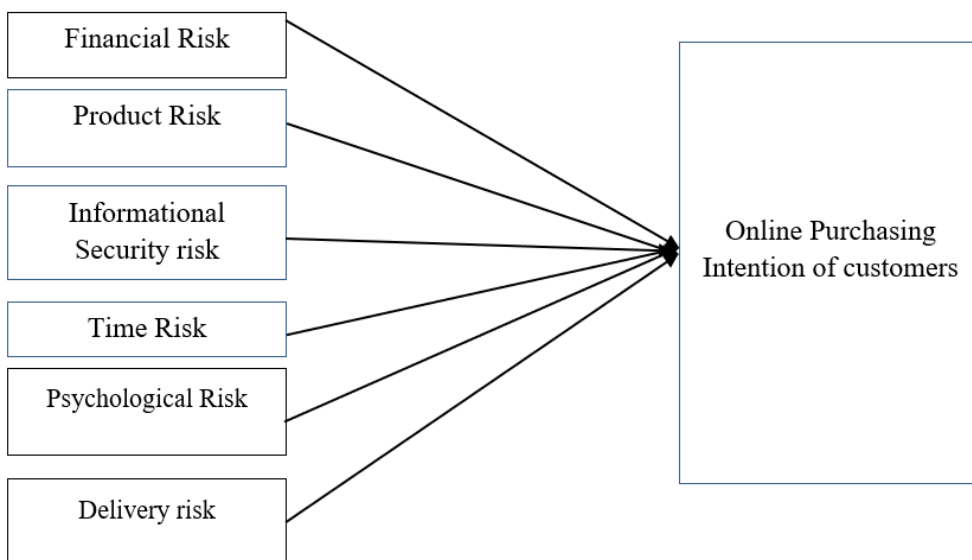
*Hypothesis 6: There is a negative impact of Delivery risk on online consumer purchasing intention*

**Methodology**

**Conceptual Framework**

Customer Perceived Risk

Online Consumer Behavior



**Figure 03: Conceptual Framework of the Study**

Source: (Iqbal, W., 2021; Mahmaod et al, 2023;)



The above conceptual Model was developed based on literature and where it was developed a hybrid model by combining the models of past studies. The current study focused on identifying the key variables that affect customers' intentions to buy fast fashion online. This study can identify precise correlations, which allows the researcher to formulate directional research hypotheses. Based on the nature of the aim of positivism and the deductive approach are the research philosophies that were chosen. The researcher has used quantitative methods to assess reality using reliable instruments used by earlier researchers. The study used purposive sampling technique to select the samples from online consumers in population because this study aims to determine the impact of perceived risk on questionnaire was developed to collect data. The questionnaire was prepared based on past literature. The questionnaire consists with three parts. Part A consists of demographic characteristics and part B consists with six dimensions of perceived risk and every dimension was measured using 3 indicators and Part "C" was comprised with four indicators to measure

Validity shows that the ideas and items used to measure the variable are more accurate. The most crucial element of a test's quality

Colombo district. The major goal of this study is to acquire primary information from customers using a structured questionnaire. The sample sizes were chosen using the sample determining formula developed by Kerjic & Morgan (1970). Accordingly, online questionnaire was distributed using social media platforms and the sample size was 400. The focus of the current study was on identifying the many categories of perceived risks that affect customers' online shopping intentions for fast fashion industry in Sri Lanka. The population of the research study was those individual consumers who have internet access and made purchase online. Online shoppers or consumers who made purchase online were selected as online purchase intention of consumers buying fast fashion retail items. A structural online purchasing intention. Accordingly, 400 questionnaires were sent, and it was able to receive only 315 responses. However, 250 questionnaires were suitable for analyzing.

## Results and Discussion

### Test of validity

might be named as validity. Thus, assessing validity is crucial and necessary before performing the following analytical tests.

**Table 01: Analytical Tests**

Variable	Chi-square Value	Significance 0.05>	KMO Value 0.5<	Composite Reliability 0.7<	Average Variance Extracted (AVE)	Discriminant Validity					
						Financial Risk	Product Risk	Information Security risk	Time Risk	Psychological Risk	Delivery Risk
Financial Risk	208.913	0.000	0.760	0.702	0.548	<b>0.7402</b>					



Product Risk	323.649	0.000	0.698	0.721	0.592	0.466	<b>0.769</b>					
Information Security Risk	287.353	0.000	0.716	0.890	0.729	0.328	0.678	<b>0.853</b>				
Time Risk	692.259	0.000	0.873	0.809	0.675	0.518	0.538	0.337	<b>0.821</b>			
Psychological risk	341.659	0.000	0.728	0.704	0.602	0.579	0.521	0.327	0.570	<b>0.775</b>		
Delivery risk	441.576	0.000	0.821	0.775	0.615	0.595	0.505	0.447	0.599	0.598	<b>0.784</b>	
Online Purchasing intention	875.632	0.000	0.755	.843	0.664	0.595	0.553	0.385	0.598	0.599	0.612	<b>0.814</b>

Source: compiled by the Author

The sample adequacy for all the variables was met, the coefficients are larger than zero ( $P > 0.05$ ), and convergent validity was utilized to assess the validity. Because ( $CR > AVE$ ) and the shared variance values are lower than the average variance extracted (AVE), discriminant validity was

also guaranteed. The criteria used were the Fornell-Larcker criteria. Hair et al. (2014) explained that the square root value of AVE must be greater than the correlation value between variables. The above table shows the results of discriminant validity.

### Reliability Test

**Table 02: Test of Reliability**

Variable	Cronbach's Alpha	Comment
Financial Risk	0.766	Accepted
Product Risk	0.769	Accepted
Information Security Risk	0.815	Accepted
Time Risk	0.849	Accepted
Psychological Risk	0.754	Accepted
Delivery Risk	0.768	Accepted
Online Purchasing intention	0.816	Accepted

Source: compiled by the Author



The reliability was ensured since the Cronbach Alpha ( $\alpha$ ) value of each and every variable was higher than 0.7. Thus, it fulfilled the need of having the internal consistency of the measurement.

**Table 03: Correlation Analysis**

		Financial Risk	Product Risk	Information Security Risk	Time Risk	Psychological Risk	Delivery risk	Online Purchasing intention
Financial risk	Pearson Correlation	1	.652**	.539**	.525**	.478**	.846**	.390**
	Sig. (2-tailed)		.000	.000	.000	.000	.000	.000
	N	250	250	250	250	250	250	250
Product Risk	Pearson Correlation	.652**	1	.550**	.489**	.505**	.575**	.366**
	Sig. (2-tailed)	.000		.000	.000	.000	.000	.000
	N	250	250	250	250	250	250	250
Information Security risk	Pearson Correlation	.539**	.550**	1	.463**	.512**	.424**	.161**
	Sig. (2-tailed)	.000	.000		.000	.000	.000	.001
	N	250	250	250	250	250	250	250
Time Risk	Pearson Correlation	.525**	.489**	.463**	1	.549**	.433**	.515**
	Sig. (2-tailed)	.000	.000	.000		.000	.000	.000
	N	250	250	250	250	250	250	250
Psychological risk	Pearson Correlation	.478**	.505**	.512**	.549**	1	.407**	.316**
	Sig. (2-tailed)	.000	.000	.000	.000		.000	.000
	N	250	250	250	250	250	250	250
Delivery risk	Pearson Correlation	.846**	.575**	.424**	.433**	.407**	1	.372**
	Sig. (2-tailed)	.000	.000	.000	.000	.000		.000
	N	250	250	250	250	250	250	250
Purchasing intention	Pearson Correlation	-.690**	-.366**	-.161**	-.215**	-.316**	-.372**	1
	Sig. (2-tailed)	.000	.000	.001	.000	.000	.000	
	N	250	250	250	250	250	250	250
**. Correlation is significant at the 0.01 level (2-tailed).								

According to the details in table (3) all independent factors have a negative relationship with online purchasing intention of online retail fast fashion. Where the

product risk has the highest negative correlation with online purchasing intention (value of Pearson correlation is (-0.690))





Multiple linear regression analysis was used to test the research hypothesis.

**Multiple Regression Analysis**

**Table 04: Model Summary**

Model Summary				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.788 <sup>a</sup>	.772	.774	.36750
a. Predictors: (Constant), Financial Risk, Product Risk, Information Risk, Time Risk, Perceived Risk, online Purchasing intention .				

Source: compiled by the Author

The explanatory power, denoted by R<sup>2</sup> in the table (4), indicates how much of the variation in the dependent variable can be accounted for by the independent variables. Based on the adjusted R<sup>2</sup> value, it can be inferred that 78% of the variation in the dependent variable, online purchasing intention, is accounted for by the independent variables.

**Table 05: ANOVA Table**

ANOVA <sup>a</sup>						
Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	80.386	5	12.077	42.530	.000 <sup>b</sup>
	Residual	136.780	615	.306		
	Total	197.186	620			
a. Dependent Variable: online purchasing intention						
b. Predictors: (Constant), Financial risk, p, Product variety, Information security risk, Time Risk, Psychological risk, Delivery risk						

Source: compiled by the Author

The ANOVA determines the significance of the developed model and further concludes that the developed model is significant since the P<0.05.

**Table 06: coefficient Table**

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	-1.046	.152		-6.481	.000
	Financial Risk	-.274	.059	-.270	-2.957	.015
	Product Risk	-.352	.058	-.350	-2.613	.029
	Information security risk	-.469	.060	-.437	-4.486	.000
	Time Risk	-.516	.050	-.541	-8.402	.567
	Psychological risk	-.316	.050	-.341	-8.402	.000
	Delivery risk	-.616	.050	-.642	-8.402	.040



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Source: compiled by the Author

Multiple regression analysis concludes that how all these factors influences for purchasing intention of online retail fast fashion when they are taking as a whole. The multiple models can be mentioned as  $Y = 1.046 + (-0.270) (X1) + (-0.350) (X2) + (-0.437) (X3) + (-0.341) (X5) + (-0.642) (x6)$  where it revealed Financial risk, Product Risk, Information Security risk, psychological risk and delivery risk has a negative impact towards online purchasing intention of retail fast fashion and only Time risk was referred as not significant since the P value of time risk exceeds the benchmark of 0.05 and which is 0.567. Accordingly  $H_1, H_2, H_3, H^5, H^6$  are accepted, and  $H_4$  is rejected.

## Discussion

The first hypothesis states that financial risk has a negative effect on purchasing intention. The standardized beta coefficient value is negative at -0.270, and the p-value is 0.015 (less than 0.05) and it proves that financial risk is significant at the P value of 0.015. Accordingly, findings of Ariffin et al. (2014) and Masoud (2013) supports this conclusion. More importantly, it can be concluded that corporation must continue to pay attention to financial risk because it still deters customers from buying from online merchants, even though its impact on purchase intention was very minor compared to other risks. This finding indicates that concern over unforeseen costs and hidden maintenance expenses may still be an issue.

The second hypothesis emphasized that the product risk has a negative impact on purchase intention, is supported by empirical data. This is implied by the fact that the standardized coefficient value is negative (-0.350) and the p-value is 0.029 (less than 0.05). Accordingly, the findings of this research is supported by the past studies of Masoud (2013), Tham et al. (2019), and Ariffin et al. (2014). Even though it has a

relatively moderate impact on purchase intention compared to other concerns, product risk continues to be considerable risk factor that has a considerable impact on customers' inclination to purchase from online sellers. The relationship is likewise converse: the higher the product risk, the lower the purchasing intention.

The third hypothesis concludes that the informational security risk has a significant impact on online purchasing intention of online retail fast fashion. Although the beta coefficient value of -0.437 indicates a negative outcome and the p-value is 0.000 (lower than 0.05). The findings of our study is proved by the similar findings of (Tham et al,2019), According to the statistical findings, there is a moderate correlation between security risk and purchase intent, making it important for the organization to concentrate on. This may also mean that the business has need to concern more about their information security since customers are highly concerned about the security matters.

The fourth hypothesis stating that the time risk has a negative impact on purchase intention and this hypothesis is not significant since the P vale is greater than 0.05. Although the result indicated by the beta-0.541 (greater than 0.05). This finding is supported by the study of Said (2017) and Masoud (2013) which came up with the similar result. Based on the statistical result, the relationship between time risk and purchase intention is very weak and not significant for the company to focus on. Accordingly this hypothesis is rejected.

The fifth hypothesis indicates that the psychological risk has a negative effect on purchase intention, according to the sixth hypothesis, which is validated. The standardized beta coefficient value is negative at -0.341, and the p-value is 0.000 (less than 0.05), The conclusion is confirmed by two studies that reached a



similar conclusion: by Ariffin et al. (2018) and Hong & Cha (2013).

According to the statistical findings, Psychological risk has a moderate negative impact on purchasing intention and which is similar with the outcomes of Han & Kim,(2017). Since this component also has the negative moderate impact on consumers' desire to buy from foreign vendors, the corporation must pay close attention to this risk dimension. The problem with psychological risk is that it is individualized. The fear and anxiety of possible disaster might be quelled through expertise and trust. To lessen this issue, the organization should offer a more thorough and up-to-date delivery status update. The business might also offer a system that would allow for seller and product comparisons so that customers wouldn't have to worry about being overrun by options and the hassle of having to gather information.

More importantly, Delivery risk has a negative impact on purchase intention and the beta coefficient value is negative at -0.642, and the p-value is 0.040 (less than 0.05), This conclusion is confirmed by research by Masoud (2013) and Ashoer & Said (2017), which also reached a similar conclusion. According to the statistical outcome, among the other risk dimensions, the impact of delivery risk on purchase intention was the second greatest. Since this component is the second-highest in blocking consumers' readiness to buy from online retail garment vendors, the corporation must pay close attention to this risk dimension.

### **Managerial and Practical Implications**

This research study is very much vital for all the retail garment vendors to identify customer online purchasing behavior patterns. Accordingly, this provides valuable information for online retail garment marketers about the various types of risks and customers perception towards different risk factors. The study will enable them to focus on different risk factors and minimize

different risks as much as possible. Accordingly, this study highly strengthens the knowledge pertaining to different risk and facilitates the online marketers to eliminate the different barriers which impact or online purchasing. Customers' awareness about the different risk factors cannot be similarized to the findings of different cultures since the digital infrastructures are different in various nations.

### **Limitations and Future Studies**

It is important to take into account the study's limitations. First, it is obvious from the study's time limitations that not all factors that could be connected to perceived risk based on online activity were explored; rather, more focused variables were integrated into a single variable. Consumer perceived risks (financial risk, product risk, information security risk, time risk, delivery risk, and psychological risk) were merely covered in this study by the researcher. Future researchers are encouraged to take in to account the risks such as communication risk, return policy risk, quality risk, after-sale risk, performance risk, social risk, and numerous additional expansions of each component. Moreover, credibility in both the platform and the organization can be studied in future studies. More importantly, there are a number of moderating factors related to the sort of goods purchased or involved, platform trust, and customer attitude online. Third, more research is required to give a more thorough analysis, comparison, and empirical explanation, enabling a better understanding of the factors contributing to the results' singularity. Additionally, this study highlights the need for further research to examine the effects of respondents' individual characteristics, including gender, type of product involvement, and experience, on the composition of perceived risk dimensions and examine their various effects on online consumers' purchasing intention, particularly in the case of cross-border e-Commerce.



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