



**FACTORS INFLUENCING CONSUMER PERCEIVED  
RISKS TOWARDS ONLINE PURCHASE INTENTION  
OF ELECTRONIC PRODUCTS IN MALAYSIA**

**BY**

**MUHAMMAD SHAHRIR BIN MOHAMED SHAFIEEK**

**A dissertation submitted in fulfilment of the requirement for  
the degree of Master of Science (Marketing)**

**Kulliyyah of Economics and Management Sciences  
International Islamic University Malaysia**

**SEPTEMBER 2018**

## **ABSTRACT**

Online purchase is the method of consumers' obtaining products and services that will satisfy their needs. It is essential to understand the ultimate motive behind the transaction made by consumers and it is also important for suppliers and retailers to target the right channel to reach out to their customers. Therefore, in order to survive in this modern and competitive marketplace, it is crucial to understand the factors influencing consumers' perceived risks towards online purchase intention especially during the purchase decision process. Taking this into consideration, the research at hand has been crafted with the ultimate objective of unveiling the risks that are affecting consumers when purchasing through online, giving special attention to the Malaysian consumers particularly in purchasing electronic products. In order to do so, this study has greatly relied on the framework that has been derived from previous literatures. In addition to this empirical study, all the data had been collected through a self-administered questionnaire via e-survey from 225 consumers residing in Malaysia. Data collected from the respective respondents have been analyzed through the means of Statistical Package for Social Sciences (SPSS) software. As for the data analysis, particularly descriptive analysis, reliability test, exploratory factor analysis (EFA), and regression analysis will be conducted through SPSS. Results of this study indicates that among all the five factors, three factors have influential effect towards online purchase intention, which are privacy risk, psychological risk, and financial risk. The other two, performance risk and social risk, do not strongly influence online purchase intention of electronic products in Malaysia. Therefore, online vendors and suppliers should be focusing more on reducing customers' perceived risk towards privacy, psychological, and financial to increase their customers' purchase intention towards online offerings. Additionally, online marketers should be more concerned about these attributes to increase customers' intention to purchase through online which will increase customer loyalty in the long run. The findings derived from this study are to facilitate marketers in the creation of effective marketing strategies in engaging consumers to purchase through online rather than offline. This can be achieved by reducing the factors that are influencing consumers' perceived risks. At the same time, the findings have potential values to academicians as well as consumers at large.

## خلاصة البحث

الشراء عبر الإنترنت هو الاتجاه السائد في حصول المستهلكين على المنتجات والخدمات التي تلبى احتياجاتهم. من الضروري فهم الدافع النهائي وراء المعاملة التي يقوم بها المستهلكون ، ومن المهم أيضاً للموردين وتجار التجزئة استهداف القناة المناسبة للوصول إلى الزبائن. لذلك ، من أجل البقاء في هذا السوق الحديث والتنافسي ، من المهم فهم العوامل التي تؤثر على المخاطر المتوقعة للمستهلكين تجاه نية الشراء عبر الإنترنت خاصة أثناء عملية اتخاذ قرار الشراء. مع أخذ ذلك في الاعتبار ، تم إعداد البحث في متناول اليد بهدف نهائي هو الكشف عن المخاطر التي تؤثر على المستهلكين عند الشراء عبر الإنترنت ، مع إعطاء اهتمام خاص للمستهلكين المالىزيين "خاصة في شراء المنتجات الإلكترونية. من أجل القيام بذلك ، اعتمدت هذه الدراسة بشكل كبير على الإطار الذي تم اشتقاقه من الأدبيات السابقة. بالإضافة إلى هذه الدراسة التجريبية ، تم جمع جميع البيانات من خلال استبيان ذاتي التنظيم عن طريق المسح الإلكتروني من إجمالي حجم العينة 273 مستهلكاً مقيماً في ماليزيا (العدد = 225). تم تحليل البيانات التي تم جمعها من المستجيبين من خلال وسائل في المرحلة الأولى من التحليلات (SPSS) برنامج الحزمة الإحصائية للعلوم الاجتماعية الإحصائية ، وخاصة التحليل الوصفي ، سيتم إجراء اختبار الموثوقية وتحليل تحليل العوامل تشير نتائج هذه الدراسة إلى أنه من بين SPSS وتحليل الانحدار من خلال (EFA) الاستكشافية العوامل الخمسة ، هناك ثلاثة عوامل لها تأثير إيجابي على نية الشراء عبر الإنترنت ، وهي مخاطر الخصوصية التي لها الأثر كبير بالمخاطر النفسية وأخيراً المخاطر المالية. وعلى عكس ذلك ، لا تؤثر مخاطر الأداء والمخاطر الاجتماعية تأثيراً قوياً على نية الشراء عبر الإنترنت للمنتجات الإلكترونية في ماليزيا. ومن ثم ، فهذا يعني أن ال الزبائن لا ينظرون إليه على أنه خطر مهم عند الشراء عبر الإنترنت. لذلك ، يجب أن يركز الموردون عبر الإنترنت بشكل أكبر على تقليل المخاطر التي يتحملها العملاء تجاه الخصوصية والنفسية والمالية لزيادة رغبة العملاء في الشراء عبر الإنترنت. بالإضافة إلى ذلك ، يجب أن يكون المسوقون عبر الإنترنت أكثر اهتماماً بهذه السمات لزيادة رغبة الزبائن في الشراء عبر الإنترنت مما يزيد من ولاء الزبائن على المدى الطويل. تهدف النتائج المستقاة من الدراسة إلى تسهيل المسوقين في وضع استراتيجيات تسويقية فعالة في إشراك المستهلكين في الشراء عبر الإنترنت بدلاً من الاتصال بالإنترنت. ويمكن تحقيق ذلك عن طريق الحد من العوامل التي تؤثر على المخاطر المتوقعة للمستهلكين وفي نفس الوقت ، تعتبر النتائج أيضاً نظرة قيّمة للأكاديميين وكذلك للمستهلكين بوجه عام

## APPROVAL PAGE

I certify that I have supervised and read this study and that in my opinion it conforms to acceptable standards of scholarly presentation and is fully adequate, in scope and quality, as a dissertation for the degree of Master of Science (Marketing).

.....  
A.K.M. Ahasanul Haque,  
Supervisor

I certify that I have read this study and that in my opinion it conforms to acceptable standards of scholarly presentation and is fully adequate, in scope and quality, as a dissertation for the degree of Master of Science (Marketing).

.....  
Muhammad Tahir Jan,  
Examiner 1  
Nur Farizah Mustaffa,  
Examiner 2

This dissertation was submitted to the Department of Business Administration and is accepted as a fulfilment of the requirement for the degree of Master of Science (Marketing).

.....  
Noor Hazilah Abdul Manap,  
Head, Department of Business  
Administration

This dissertation was submitted to the Kulliyyah of Economics and Management Sciences and is accepted as a fulfilment of the requirement for the degree of Master of Science (Marketing).

.....  
Hassanuddeen Abd Aziz,  
Dean, Kulliyyah of Economics  
and Management Sciences

## DECLARATION

I hereby declare that this dissertation is the result of my own investigations, except where otherwise stated. I also declare that it has not been previously or concurrently submitted as a whole for any other degrees at International Islamic University Malaysia (IIUM) or any other institutions.

Muhammad Shahrir Bin Mohamed Shafieek,

Signature .....

Date.....

**INTERNATIONAL ISLAMIC UNIVERSITY MALAYSIA**

**DECLARATION OF COPYRIGHT AND AFFIRMATION OF  
FAIR USE OF UNPUBLISHED RESEARCH**

**FACTORS INFLUENCING CONSUMER PERCEIVED RISKS  
TOWARDS ONLINE PURCHASE INTENTION OF  
ELECTRONIC PRODUCTS IN MALAYSIA**

I declare that the copyright holders of this dissertation are jointly owned by the student and International Islamic University Malaysia (IIUM).

Copyright © 2018 Muhammad Shahrir Bin Mohamed Shafieek and International Islamic University Malaysia (IIUM). All rights reserved.

No part of this unpublished research may be reproduced, stored in a retrieval system, or transmitted, in any form or by any means, electronic, mechanical, photocopying, recording or otherwise without prior written permission of the copyright holder except as provided below

1. Any material contained in or derived from this unpublished research may be used by others in their writing with due acknowledgement.
2. IIUM or its library will have the right to make and transmit copies (print or electronic) for institutional and academic purposes.
3. The IIUM library will have the right to make, store in a retrieved system and supply copies of this unpublished research if requested by other universities and research libraries.

By signing this form, I acknowledged that I have read and understand the International Islamic University Malaysia (IIUM) Intellectual Property Right and Commercialization Policy.

Affirmed by Muhammad Shahrir Bin Mohamed Shafieek,

.....  
Signature

.....  
Date

*This dissertation is dedicated to my parents,  
Mohamed Shafieek Bin Sultan Mohamed & Mazidah Binti Jamaludin  
And to my wife, Dr. Fariza Binti Md Kasim*

## **ACKNOWLEDGEMENTS**

I am greatly thankful to Almighty ALLAH (S.W.T), our creator, sustainer, the most merciful, and the most compassionate for allowing me to complete this research study which I strongly believe will be of help and guidance to suppliers, producers and vendors in the Malaysian marketplace. My appreciation also goes to my loving parents, my supportive wife, my entire family members, and friends who has always been there by my side to give me the endurance I need to accomplish this intended study. I would also like to thank my direct supervisor, Professor Dr. A.K.M. Ahasanul Haque for his guidance and commitment towards my entire research study alongside appreciating all my dedicated Lecturers from Kulliyah of Economic and Management Sciences (KENMS), International Islamic University Malaysia (IIUM) for their continuous support and inspiration.



# TABLE OF CONTENTS

<b>Abstract.....</b>	<b>ii</b>
<b>Abstract in Arabic.....</b>	<b>iii</b>
<b>Approval Page .....</b>	<b>iv</b>
<b>Declaration Page .....</b>	<b>v</b>
<b>Copyright Page.....</b>	<b>vi</b>
<b>Dedication Page.....</b>	<b>vii</b>
<b>Acknowledgements .....</b>	<b>viii</b>
<b>List of Tables .....</b>	<b>xii</b>
<b>List of Figures.....</b>	<b>xiii</b>
<b>List of Abbreviations .....</b>	<b>xiv</b>
<b>CHAPTER ONE: INTRODUCTION.....</b>	<b>1</b>
1.1 Overview.....	1
1.2 Background of the Study .....	2
1.3 Online Purchase in Malaysia .....	3
1.4 Problem Statement.....	4
1.5 Research Objectives.....	6
1.6 Research Questions.....	6
1.7 Significance of the Study.....	7
1.8 Organization of the Dissertation.....	7
1.9 Summary of Chapter One .....	8
<b>CHAPTER TWO: LITERATURE REVIEW.....</b>	<b>9</b>
2.1 Introduction.....	9
2.2 Perceived Risk Theory.....	10
2.3 Perceived Risk towards Online Purchase Intention.....	15
2.4 Financial Risk .....	16
2.5 Performance Risk.....	17
2.6 Privacy Risk.....	18
2.7 Psychological Risk .....	19
2.8 Social Risk.....	22
2.9 Proposed Model of the Study .....	27
2.10 Hypothesis Development.....	27
2.11 Summary of Chapter Two .....	28
<b>CHAPTER THREE: METHODOLOGY.....</b>	<b>29</b>
3.1 Introduction.....	29
3.2 Research Design .....	29
3.3 Data Collection Method.....	31
3.3.1 Survey Method.....	31
3.4 Questionnaire Design.....	33
3.4.1 Questionnaire Finalization for Pilot Test.....	34
3.4.2 Pilot Test .....	34
3.4.3 Questionnaire Language .....	35

3.5 Sampling Procedure.....	35
3.5.1 Target Population and Sample .....	35
3.5.2 Sampling Method.....	36
3.5.3 Justification for using Convenience Sampling.....	37
3.5.4 Sampling Size .....	38
3.6 Data Analysis.....	38
3.6.1 Data Screening .....	39
3.6.2 Descriptive Analysis .....	39
3.6.3 Reliability and Validity.....	39
3.6.3.1 Reliability .....	40
3.6.3.2 Validity .....	40
3.6.4 Exploratory Factor Analysis (EFA) .....	41
3.7 Summary of Chapter Three .....	42

**CHAPTER FOUR: DATA ANALYSIS.....43**

4.1 Introduction.....	43
4.2 Data Screening.....	43
4.2.1 Missing Data .....	43
4.3 Reliability Analysis .....	44
4.3.1 Overall Reliability Statistics .....	44
4.4 Descriptive Statistics .....	44
4.4.1 Demographic Profile of Survey Respondent .....	44
4.4.2 Rate of Response.....	45
4.4.3 Gender.....	46
4.4.4 Age .....	46
4.4.5 Race.....	47
4.4.6 Education Level .....	48
4.4.7 Monthly Income .....	48
4.4.8 Occupation .....	49
4.4.9 Purchase History of Electronic Products .....	50
4.4.10 Purchase Frequency of Electronic Products.....	50
4.4.11 Purchase Category of Electronic Products.....	51
4.4.12 Payment Method of Electronic Products Purchase .....	51
4.5 Exploratory Factor Analysis (EFA).....	52
4.5.1 Introduction.....	52
4.5.2 KMO Measure of Sampling Adequacy.....	52
4.5.3 Bartlett's Test of Sphericity .....	53
4.5.4 Total Variance Explained.....	54
4.5.5 Rotated Component Matrix.....	55
4.6 Regression Analysis.....	57
4.6.1 Introduction.....	57
4.6.2 Regression analysis on coefficient of determination ( $R^2$ ).....	57
4.6.3 Regression analysis of ANOVA Test .....	58
4.6.4 Regression analysis of Coefficient.....	59
4.7 Hypothesis Testing .....	60
4.7.1 H1: Financial risk has a positive effect towards online purchase intention of electronic products .....	60
4.7.2 H2: Performance risk has a positive effect towards online purchase intention of electronic products.....	61

4.7.3 H3: Privacy risk has a positive effect towards online purchase intention of electronic products .....	61
4.7.4 H4: Psychological risk has a positive effect towards online purchase intention of electronic products .....	61
4.7.5 H5: Social risk has a positive effect towards online purchase intention of electronic products .....	62
4.8 Summary of Chapter Four .....	63
<b>CHAPTER FIVE: CONCLUSION AND RECOMMENDATION.....</b>	<b>65</b>
5.1 Introduction .....	65
5.2 Discussion on Findings .....	66
5.3 Implication and ecommendations .....	69
5.4 Limitations of this Study .....	70
5.5 Direction for Future Research .....	71
5.6 Conclusion .....	72
<b>REFERENCES.....</b>	<b>74</b>
<b>APPENDIX 1: QUESTIONNAIRE.....</b>	<b>80</b>

## LIST OF TABLES

Table 2.1	Type of Risks and its Observations	10
Table 4.1	Reliability Test of all Questionnaire Items	44
Table 4.2	Demographic characteristics of respondents	45
Table 4.3	Analysis on Gender of Respondents	46
Table 4.4	Analysis on Age of Respondents	47
Table 4.5	Analysis on Race of Respondents	47
Table 4.6	Analysis on Education Level of Respondents	48
Table 4.7	Analysis on Monthly Income of Respondents	49
Table 4.8	Analysis on Occupation of Respondents	49
Table 4.9	Analysis on Purchase History of Respondents	50
Table 4.10	Analysis on Purchase Frequency of Respondents	50
Table 4.11	Analysis on Purchase Category of Respondents	51
Table 4.12	Analysis on Purchase Payment Method of Respondents	52
Table 4.13	KMO and Bartlett's Test	53
Table 4.14	Total Variance Explained Output	54
Table 4.15	Rotated Component Matrix	56
Table 4.16	Model Summary of Regression Analysis	58
Table 4.17	Regression Analysis of ANOVA Test	59
Table 4.18	Determinant Coefficient of Online Purchase Intention	60
Table 4.19	Summary of Hypothesis Testing Results	64

## LIST OF FIGURES

Figure 2.1	A Conceptual Framework of Perceived Risk	13
Figure 2.2	The proposed model of the study	27

## LIST OF ABBREVIATIONS

AVE	Average Variance Extracted
DV	Dependent Variable
df	Degree of Freedom
E-banking	Electronic Banking
E-learning	Electronic Learning
E-payment	Electronic Payment
E-shopping	Electronic Shopping
EFA	Exploratory Factor Analysis
e.g.	(exempligratia): for example
et al.	(et alia): and others
FNR	Financial Risk
IUM	International Islamic University Malaysia
IV	Independent Variable
KMO	Kaiser-Meyer-Olkin
M	Mean
MI	Modification Indices
OPI	Online Purchase Intention
P	P-value
PC	Personal Computer
PFR	Performance Risk
PSR	Psychological Risk
PVR	Privacy Risk
RL	Reliability
RRM	Risk Reduction Methods
SCR	Social Risk
SPSS	Statistical Package of Social Sciences
UI	User Interface
WOM	Word of Mouth

# CHAPTER ONE

## INTRODUCTION

### 1.1 OVERVIEW

Internet acts as a source of marketplace where transactions are developed between buyers and sellers in various methods interactively and in real time rather than the physical limitations of retailers practicing traditional brick and mortar concept (Küster, Vila, & Canales, 2016). In regards to payment methods, one of the main online payment method is electronic payment which is also known as E-payment that is produced to benefit consumers primarily in terms of convenience and lowering the transaction cost as the web-based user interface permits customers to manage their transactions remotely (Ming-Yen Teoh, Choy Chong, Lin, & Wei Chua, 2013). E-payment has become very popular for online transactions in this era. The growth of internet usage among Malaysian society have made it such an important trend in conducting online payment (Ming-Yen Teoh et al., 2013).

The two different types of e-payment systems are used in Malaysia, which are large value payment system (SIPS) that comprise of real-time electronic funds transfer and security system (RENTAS) and retail payment systems which can be divided into two categories. The first category is shared Automated Teller Machine (ATM) network, Interbank GIRO, e-debit, direct debit, financial process exchange, and national cheque information clearing system. The second category is the retail payment instruments such as debit card, credit card, charge card, e-money, ATM, mobile banking and internet banking (Ming-Yen Teoh et al., 2013).

Beside the various payment methods, navigation experience that a consumer undergoes on the website also plays a huge role as it affects their attitude positively and

significantly towards the web. It is important for companies and web designers to take note on this as it strongly influence consumers' online purchase intention. In short, customers' must feel satisfied with their experience of the website to cultivate a positive predisposition and intention to purchase products via online platform (Küster et al., 2016).

According to a study done by Bianchi & Andrews (2012), they have mentioned regarding consumers' propensity to trust which does not contributes to a significant effect on the intention to purchase online or the attitude to continue purchasing online. Nevertheless, the cultural environment of trust positively influences consumers' intentions to keep on continuing to purchase online and the cultural environment of trust is significant (Bianchi & Andrews, 2012).

## **1.2 BACKGROUND OF THE STUDY**

In Malaysia, there are huge numbers of future markets encompassing commodity, metal, and energy including the Kuala Lumpur stock exchange futures where Malaysian-based brokers have authority to access a wide variety of international markets which comprise of global and electronic nature markets (Eslami & Imomoh, 2016). It provides advantages for businesses to develop their business in different parts of the world and connect people in a borderless world (Tanadi, Samadi, & Gharleghi, 2015).

In the marketplace, a seller or a buyer requires adequate information in order to understand events that happened in the past by recognizing current events and predicting what will potentially occur or likely to happen in the future (Eslami & Imomoh, 2016).



Various online purchases are conducted all across the globe and in this study it is focused particularly on Malaysia. This study is carried out to measure the factors influencing consumers' perceived risk towards online purchase intention of electronic products in Malaysia. The perceived risks used in this study are financial risk, performance risk, privacy risk, psychological risk, and social risk towards the online purchase intention of electronic products among Malaysians.

### **1.3 ONLINE PURCHASE IN MALAYSIA**

A study done by Tanadi et al., (2015) stated that Malaysia's population was at 30,073,353 and out of this amount, the number of internet users are fairly high with a total of 20,140,125 internet users in Malaysia. However, even though Malaysia has high internet access rate, there is only a small percentage of Malaysian internet users that purchases online (Haque, Sadeghzadeh, & Khatibi, 2006). This can be explained as online shopping in Malaysia is still within the frame of a new technology breakthrough as it is still in the early stage of development and recently started to trigger the Malaysian retail sector with online shopping services (Haque et al., 2006).

The development of Internet has tremendously improved the popularity of online shopping which allows consumers to do online shopping from anywhere at any given time these days since everything is right at their fingertips (Tanadi et al., 2015). Online transaction has been a common internet activity among the people in the world. Online shopping, online banking, online ticketing, online utility payment, and others well known as cost saving and time saving in the busy scheduled daily life. In the near future, there will be a more significant growth in the online purchase where the impacts and negative aspects of online purchase have become more associated as consumers are much apprehensive about their purchase decision (Tanadi et al., 2015).

When making an online purchase, consumers will automatically think about the risks up to some extent of insecurities. Given the fact that online purchase is done through a virtual store, it is absolutely obvious that there is no human contact and this leads consumers to be unable to verify the product quality. This situation makes consumers to feel uncertain and insecure about their purchase decisions (Tanadi et al., 2015).

#### **1.4 PROBLEM STATEMENT**

There is a study which states that 9.3% of Malaysian internet users purchase from the internet while Malaysia has a large number of internet users. This information indicates that consumers in Malaysia have low online purchase intention because of various reasons, such as risk, online store image, and many more (Ariff, Sylvester, Zakuan, Ismail, & Ali, 2014; Chen & Teng, 2013; Dhanapal, Vashu, & Subramaniam, 2015). In regards to financial risk, the Malaysian consumers are worried about the online security when using their credit cards and from a privacy risk angle, they may be concerned to disclose their personal information (Ariff et al., 2014). The Malaysian online consumers are concerned that their personal image may be highly affected due to poor product performance that they may have bought via online (Lu, Zulkiffli, & Hamsani, 2016).

Another form of risk is psychological risk where consumers have fears and doubts on e-Transactions, and this happens especially when the product is expensive or urgently needed by the consumers (Ariff et al., 2014). This usually relates to trust, stress, and anxiety. Finally, the lowest risk that some customers undergo is social risk where Malaysians online consumers usually tend to avoid making a wrong decision in purchasing through online to avoid being blamed by their friends and family members due to their wrong decision of purchasing items (Morad & Raman, 2015).

From another viewpoint, cybercrime cases have been increasing and this has generally caused online shoppers to feel unsecure with their transactions done over the internet. These cybercrime activities, such as fraud, can strongly affect the online purchase activity where it refrain consumers in providing their personal information online. In other words, consumers feel afraid to share information online (Tanadi et al., 2015).

Additionally, purchasing online also directly relates consumers' experiences and satisfactions that they perceive while purchasing through online as they could be benefited as well when purchasing through online. Hence, it is ultimately important to understand consumers' perceptions on the risks towards purchasing through online. This is to gradually increase the online purchase intention in Malaysia at large which will directly impact to the consumers' purchase decision (Tanadi et al., 2015). Therefore, this study will adopt five types of perceived risks, which are financial risk, performance risk, privacy risk, psychological risk, and social risk according to the level of fear which is supported by Ariff et al., (2014). Besides, purchase intention will act as the dependent variable in this study.

## **1.5 RESEARCH OBJECTIVES (RO)**

- RO1:** To examine consumers' perception of the financial risk towards online purchase intention of electronic products.
- RO2:** To examine consumers' perception of the performance risk towards online purchase intention of electronic products.
- RO3:** To examine consumers' perception of the privacy risk towards online purchase intention of electronic products.
- RO4:** To examine consumers' perception of the psychological risk towards online purchase intention of electronic products.
- RO5:** To examine consumers' perception of the social risk towards online purchase intention of electronic products.

## **1.6 RESEARCH QUESTIONS (RQ)**

The main purpose of writing this thesis is to explore:

- RQ1:** What is consumers' perception of the financial risk towards online purchase intention of electronic products?
- RQ2:** What is consumers' perception of the performance risk towards online purchase intention of electronic products?
- RQ3:** What is consumers' perception of the privacy risk towards online purchase intention of electronic products?
- RQ4:** What is consumers' perception of the psychological risk towards online purchase intention of electronic products?
- RQ5:** What is consumers' perception of the social risk towards online purchase intention of electronic products?

## **1.7 SIGNIFICANCE OF THE STUDY**

The main purpose of this research is to examine the dimension of perceived risks towards online purchase intention among Malaysians. Hence, this study will contribute directly to online retailers specifically the Malaysian online retailers to enable them to upgrade their website in order to reduce the perceived risk to Malaysian consumers for purchasing through online. Additionally, this research can help marketers in making decisions to target their online customers strategically as well. Based on the findings derived from this study, marketers should be able to reduce consumers' perceived risks when purchasing through online.

Furthermore, marketers will also be able to approach existing consumers who are purchasing through online in a much deliberative manner to increase their market shares in a long run. Furthermore, this study is also beneficial to Malaysian suppliers, producers, and vendors in making full use of the online platform with considerations of the involved risks in order to influence more customers to purchase through online. Last but not least, a great contribution to the Malaysian community is that the society can improve their knowledge and will be aware about the involved risks in the process of online purchase.

## **1.8 ORGANIZATION OF THE DISSERTATION**

The dissertation is organized in a systematic manner where it is divided into five chapters, which are introduction, literature review, methodology, data analysis, and finally the findings of this research study. The outline of these five chapters are given below: The first chapter discusses the introduction to the study and briefly explains the main theme of the study. It gives an overall idea of the factors influencing consumer perceived risks towards online purchase intention of electronic products in Malaysia.

The second chapter shows a significant review of the literature encompassing perceived risk theory, each factors of perceived risk embedded in this study, online purchase intention, the proposed model of the study, and hypothesis development for this study.

The third chapter presents the methodology and survey approaches. It gives a clear idea regarding the research to be conducted. This chapter is basically designed on understanding the research approach, research design, questionnaire structure, sampling procedure, and data analysis techniques.

In chapter four, the collected data will be analyzed and while analyzing the collected data, some indicators will be designed. The result will be presented as various tabular and graphical forms.

Finally chapter five is based on the results of chapter four which includes some proposals, hypothetical and administrative ramifications, constraints of this exploration, and future study recommendations.

## **1.9 SUMMARY OF CHAPTER ONE**

This chapter has conversed regarding online purchase, e-commerce, e-payment, retail payment systems, and all related explanations regarding online purchase in Malaysia. It also elucidates the factors of perceived risks used in this study which are financial risk, performance risk, privacy risk, psychological risk, and social risk which lead towards the dependent variable that is online purchase intention towards electronic products among Malaysians. This chapter also entails statement of the problem, objectives of the study, the research questions, significance of the study, and finally how this dissertation is organized.

## **CHAPTER TWO**

### **LITERATURE REVIEW**

#### **2.1 INTRODUCTION**

Online transaction is a platform for electronic payment or generally known as ‘e-payment’ represents all forms of non-cash payment methods that does not include a paper cheque. According to The Malaysian Reserve for year 2012, the electronic payment (e-payment) growth among Malaysians has been reported to be faster than the global growth of e-payment which is 20 percent of online transactions done compared to the 15 percent global scale (Ming-Yen Teoh et al., 2013).

Due to this matter, out of 62 countries, Malaysia was ranked 29<sup>th</sup> place under the 2011 Government E-payment Adoption Ranking (GEAR) study in the overall performance of e-payment adoption. Furthermore, by the year 2020 the Central Bank has targeted to escalate the amount of e-payment transactions per capita to 200 (Ming-Yen Teoh et al., 2013). Despite making payments online, Malaysian consumers also purchase items through online and naturally there are various types of perceived risks when purchasing.

Additionally, various studies were conducted in regards to the type of perceived risks and in one of the research with empirical evidence from Malaysia was done in the recent years by Ariff et al., (2014) entitled as ‘Consumer Perceived Risk, Attitude and Online Shopping Behavior’ that clearly explains about the type of risks as ranked in Table 2.1 below.

**Table 2.1:** Type of Risks and its Observations (Ariff et al., 2014, pg. 3)

<b>Rank</b>	<b>Type of Risk</b>	<b>Observations</b>
1.	Financial Risk	The highest level of fear of respondents is the chances of suffering a financial loss due to fraud of credit card.
2.	Performance Risk	The second level of fear is that the product performance is not as expected.
3.	Privacy Risk	Fear of consumers about the privacy of their personal data and credit card details which may be misused by the sellers.
4.	Psychological Risk	Fear of consumers regarding the doubts of e-Transactions, especially when the product is expensive or urgently needed.
5.	Social Risk	The lowest level of fear goes to social risk. It is about the fear of fraud transactions which may cause their reference groups (family members of friends) to blame them for making a bad decision.

This study will specifically research on the abovementioned risks according to its rank of highest level of fear to the lowest level of fear which are financial risk, performance risk, privacy risk, psychological risk, and social risk towards purchase intention of electronic products. This study will emphasize on these five independent variables while the dependent variable will be online purchase intention of electronic products.

## **2.2 PERCEIVED RISK THEORY**

Perceived risk in consumers' behavior theory helps to explain why often consumers do not stay at their desired stage and does not further progress into action stage in order to make the actual purchase decision. Generally, online transaction is a process of buying and selling products or services through online method. In accessing and making online transaction, consumers or individuals encounters a host risk. In fact, consumers perceived a higher level of risk during purchasing through online compared to