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The effect of perceived financial risk on purchase intention in Pakistan

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Abstract

Purpose – The purpose is to understand the fundamental mechanism of the consumer decision-making process and how perceived financial risk of search and experience goods influences electronic word-of-mouth adoption (e-WOMA) on social networking sites (SNSs), which will lead to purchase intention.

Design/methodology/approach – Drawing on information processing theory, the study conceptualizes a moderated mediation model to investigate the underlying influence of perceived financial risk and online social ties on e-WOMA and the subsequent effect on online purchase intention. Survey data from 275 individuals were analyzed through statistical tools using Statistical Package for the Social Sciences (SPSS).

Findings – The results revealed that e-WOMA mediates the effect of perceived financial risk of search and experience goods on online purchase intention. Strength of online social ties on SNSs positively moderates the electric word of mouth adoption for both the experience and search goods.

Research limitations – The limitation of this study was about the researcher's restrictions related to the length of the survey. Moreover, causal explanations can't be deduced as this is a cross-sectional study.

Practical implications – This research offers insight into the consumers that allow marketers to dive into the target market. Marketers should focus on social ties importance while selling products/services of markets online.

Originality/value – The study is novel in the context of an emerging economy to educate marketers on the product categorization of search goods and experience goods based on financial risk.

Keywords COVID-19, Decision-making, Electronic word-of-mouth adoption (e-WOMA), Online social ties, Information processing theory, Emerging markets

Paper type Research paper

Introduction

Every disaster creates opportunities, and the recent coronavirus disease 2019 (COVID-19) pandemic is no different. Due to this pandemic, people have started to think differently, and old methods of doing things need to be reconsidered. To remain safe from COVID-19, people are bound to stay at home. The first two cases of COVID-19 were reported on February 26th, 2020 in Pakistan (Ali *et al.*, 2020), and within a few weeks, numbers increased so rapidly that the government had to implement a complete lockdown on March 24th, 2020 (Editorial, 2020). This situation created an atmosphere where both sellers and buyers started to capitalize on online shopping. Pakistan, which has 225 million people and ranks 44th in terms of gross domestic product (GDP) in the world, is a vibrant emerging economy (The Word Bank, 2021). Even though online shopping has been here for a few decades, it has not gotten the attention. Emerging markets form two-third of the world population, but they only contribute one-fifth of the world's GDP (Javed and Khan, 2022). Globally, the retail e-commerce market constituted a market share of US$4,280 trillion in 2020 and is forecasted to grow to US$6,388

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