

CHAPTER 6 DISCUSSION AND CONCLUSION

6.1 Introduction

Based on the result obtained from chapter 5, a discussion of the finding is presented in this chapter. The findings from the study are used to discuss whether the proposed hypothesizes are supported. All research questions will be answered subsequently and finally the achievement of research objectives are determined. Internet vendors are provided with managerial implications and recommendations, so to enable them to draft a strategic in gaining consumers' trust in their online business. Finally, the contributions of the study are discussed based on theoretical, methodological and practical approaches and ended with suggestions for future research.

6.2 Discussion of Results

There are 12 hypotheses proposed in this study. Of the 12 hypotheses tested, all hypotheses were found to be supported except for **H_{1b}**, **H_{3a}**, **H_{3b}** and **H₅**. The results of hypothesis testing are summarized in **Table 6.1**.

In this study, there are three major research questions in this study. First question is to identify the antecedents of Malaysian Internet shoppers' initial trust in Internet shopping. Three factors have been identified in this study, namely trusting belief, technical competency and organizational compliance are found to be positively significant in formation of initial trust in Internet shopping. However, the

examination of separate dimensions show that not all the dimensions are considered significant in formation of initial trust as certain dimensions were found insignificant in this study. Nonetheless, in general, the three antecedents identified are considered important factors in formation of initial trust in Internet shopping.

The Second question is to determine whether initial trust contribute to the intention to purchase online of Malaysian Internet shoppers in Internet shopping. The finding shows that initial trust in Internet shopping is positively related to the intention to purchase online. Finally, the third question is to determine whether propensity to trust affect the relationship between the initial trust in Internet shopping and intention to purchase online. The result is this study find out that propensity to trust is positively related to initial trust in Internet shopping that ultimately lead to intention to purchase online.

Table 6.1: Summary of results of hypothesis testing

Hypothesis		Result
H ₁	There is a positive relationship between perceived trusting belief on Internet vendors and initial trust in Internet shopping.	Supported
H _{1a}	There is a positive relationship between perceived integrity of Internet vendors and initial trust in Internet shopping.	Supported
H _{1b}	There is a positive relationship between perceived competence of Internet vendors and initial trust in Internet shopping.	Not supported
H _{1c}	There is a positive relationship between perceived benevolence of Internet vendors and initial trust in Internet shopping.	Supported
H ₂	There is a positive significant relationship between perceived technical competency and initial trust in Internet shopping.	Supported
H ₃	There is a positive relationship between perceived organisational compliance and initial trust in Internet shopping.	Supported
H _{3a}	There is a positive relationship between third party recognition and initial trust in Internet shopping.	Not supported
H _{3b}	There is a positive relationship between legal framework and initial trust in Internet shopping.	Not supported
H ₄	There is positive relationship between the strength of a trusting cultural environment and propensity to trust.	Supported
H ₅	There is a positive relationship between the personal experience in Internet usage and propensity to trust.	Not supported
H ₆	There is a positive relationship between propensity to trust and initial trust in Internet shopping.	Supported
H ₇	There is a positive relationship between initial trust in Internet shopping and intention to purchase online.	Supported

6.2.1 Perceived Trusting Belief on Internet vendors

According to the results obtained from PLS analysis on the overall model (refers to **Figure 5.2**), perceived trusting belief on Internet vendors is positively related to initial trust in Internet shopping. The result shows perceived trusting belief on Internet vendors is consistent with the results from Gefen (2002) and McKnight *et al.*, (2002b). There are three sub-constructs in this construct, namely, perceived integrity of Internet vendors, perceived competency of Internet vendors, and perceived benevolence of Internet vendors. However, the separate examination of the three sub-constructs offers different insight, the results obtained from PLS analysis (refers to **Figure 5.3**) shows only two dimensions were positively related to initial trust in Internet shopping, which are perceived integrity of Internet vendors and perceived benevolence of Internet vendors. However, result from PLS found perceived competence of Internet vendors were insignificant in this study showing perceived competence of Internet vendors did not significantly related to the formation of initial trust in Internet shopping. The results show perceived integrity of Internet vendors and perceived benevolence of Internet vendors are consistent with the results from previous studies, however the result from current study shows perceived competence of Internet vendors was not significant as compared to previous studies. Based on the study conducted by Mayer *et al.*, (1995), the discrepancy of the different perception of competence of Internet vendors can be explained.

According to Mayer *et al.*, (1995), the three perceived trusting beliefs, namely ability, benevolence and integrity are important elements in formation of trust. Each

of the three elements may vary independently of the other, however this does not imply that the three are unrelated to one another but only that they are separable. In Malaysia context, as a business relationship begins to develop, Internet shoppers may be able to obtain information on the Internet vendors' integrity through observation and third party sources such as brand and corporate identity. Integrity of Internet vendors is important in the formation of initial trust early in the relationship. As the relationship develops, interactions with the Internet vendors permit the Internet shoppers to gain more insights about the Internet vendors' benevolence. On the other hand, without experience from prior purchase transaction, Internet shoppers may not be able to assess the level of competence of Internet vendors in Internet business. This is confirmed by Mayer *et al.*, (1995), high ability at one task does not necessarily imply high ability at another task. In other words, Internet vendors can be found competent in doing business in physical store environment, but does not necessarily have competence in Internet shopping.

Furthermore, the low Internet transactions in Malaysia over the years shows no confidence to Internet shoppers that Internet vendors are experienced enough to handle Internet transactions. Limited number of Internet vendors in Malaysia that shows successful online business may be another reason to explain the lack of trust and confidence of Malaysian Internet shoppers on the perceived competence of Internet vendors, as a result of that, unlike Gefen *et al.*, (2003) stated that potential Internet shoppers' intention to purchase online were influenced by their trust in Internet vendors, in this study, we found that lack of trust on Internet shoppers' competency prevent the formation of trust in Internet shopping.

According to the result from the examination of ranking order of importance antecedents (refers to **Table 5.2**), integrity and competence were ranked third and fourth position respectively, whereas benevolence was ranked sixth. According to the ranking order, integrity was ranked most important, followed by competence and benevolence. However, result from PLS indicated that integrity and benevolence are significant in influencing the formation of initial trust in Internet shopping. The similarity of the two results is both highlighted that integrity of Internet vendors are significant and ranked most importance among the other two sun-constructs. On the other hand, competence of Internet vendors was ranked more important than benevolence of Internet vendors, however the result from PLS shows benevolence of Internet vendors are significant in this study, whereas competence of Internet vendors found to be insignificant to the initial trust in Internet shopping.

6.2.2 Perceived Technical Competency on Internet vendors

According to the results obtained from PLS analysis (refers to **Figure 5.2**), perceived technical competency on Internet vendors is positively related to initial trust in Internet shopping. In this study, technical competency refers to the ability of an Internet vendor in handle and manages security and privacy issues on Internet based business. The results show Internet shoppers view ability in managing security and privacy are significant determinants of formation of initial trust in Internet shopping. Studies from Warrington *et al.*, (2000), and Culnan and Armstrong (1999) have also highlighted the important role of perceived security and privacy on Internet vendors that positively correlated with formation of initial trust in Internet shopping. This findings and current literature indicate that security and privacy have some

relationship with perceived risk, like financial loss, and psychological risk that indirectly effect the formation of initial trust in Internet shopping. However, the result indicated that perceived security and privacy on Internet vendors have a direct effect on trust formation in Internet shopping.

On the other hand, the strong support of result in perceived technical competency may be explained by expectation of Internet shoppers on Internet vendors in security and privacy establishment in the Internet shopping due to lack of confidence of Internet vendors' ability in managing Internet shopping. By establishing strong security features on the web-site are able increase initial trust in Internet shopping (Warrington *et al.*, 2000), whereas strong privacy controls commitment would enhance credibility and reliability of Internet vendors (Culnan and Armstrong, 1999) that to encourage Internet shoppers to share sensitive information, such as credit card number in the Internet based transaction.

Furthermore, the examination of ranking order of each factor ranked by respondents (refers to 5.3) indicating that of the seven factors, security control and privacy control are ranked first and second position, which showing the significant of these two factors in the formation of initial trust in Internet shopping. The result of ranking order show security control and privacy control play the most important role in the formation of initial trust in Internet shopping.

6.2.3 Perceived Organisational Compliance

According to the result from PLS analysis on the overall model (refers to **Figure 5.2**), perceived organizational compliance was found positively related to initial trust in Internet shopping, however the result indicated that perceived organization compliance has weak impact on initial trust formation in Internet shopping. The result is consistent with the studies from Smith *et al.*, (1999), Udo, (2001) and Chen and Barnes (2007) even the result from PLS shows weak relationship related to initial trust formation. Organisational compliance can be considered by Internet shoppers as following a set of predetermined rules or procedures by Internet shoppers in conducting Internet business. In general, most of the established organizations in Malaysia follow most of the rules and procedures in conducting business, however the level of enforcement of such rules and procedures are remain questionable. Nonetheless, it can be assumed that Malaysian Internet shoppers are generally accepted on organization compliance of an Internet vendor may help in formation of initial trust in Internet shopping.

Third party recognition and legal framework are two dimensions for perceived organisation compliance. The results from separate examination (refers to **Figure 5.3**) on these two dimensions indicate neither of the dimensions shows significant relationship in initial trust formation in Internet shopping. Studies from Lewicki and Bunker (1995) and Cheung and Lee, (2001) stated that third party recognition and legal framework are two important contextual factors influence the formation of online initial trust in Internet shopping, however, the result of this testing of individual dimension did not showed consistency in the same direction. One of the notable

explanations is that Internet shoppers in Malaysia are lack of confidence and familiarity of third party recognition as the third party organisation may not concern the interest of Internet shoppers. Moreover, Third party organisation offering third party recognition accreditation services may be viewed as another Internet vendor, where trust may be needed to be established just like other Internet vendors. Internet shoppers in Malaysia may not be able to identify and recognise third party recognition. Therefore, Internet shoppers are not familiar with the functions of third party recognition and how their (Internet shoppers) interest can be protected.

On the other hand, lack of awareness of current legal framework in e-commerce may be a reason that Internet shoppers in Malaysia show insignificant of legal framework in the initial trust formation in Internet shopping. Most of the legal materials related e-commerce is introduced by the Malaysian government in the mid 1990. Compared to other legal frameworks, e-commerce legal framework is considered new to most of the Malaysian. Some of them may not even know the existence of that legal framework. On the other hand, limited publicity of those legal frameworks from the government may be another reason to explain low awareness of legal framework among Internet shoppers. Internet shoppers are lack of understanding and familiarisation of their right in Internet shopping could be protected by legal framework. Further, enforcement of legal framework may be another concern of Internet shoppers in Malaysia. Internet shoppers have no idea on how good the legal enforcement in Internet shopping as there is limited precedent cases in this area. In short, Internet shoppers view third party recognition and legal framework are insignificant in formation initial trust in Internet shopping is mainly due to lack of familiarity and confidence on both dimensions.

Legal framework and third party recognition are ranked the fifth and seventh position respectively according to the ranking order of each factor (refers to **Table 5.2**). The examination of ranking order by respondents indicated that legal framework and third party recognition are least important in the development of initial formation in Internet shopping. Both results, ranking order and PLS show the same direction indicating legal framework and third party recognition are perceived insignificant in the formation of initial trust in Internet shopping.

6.2.4 Propensity to Trust

The result (refers to **Figure 5.2**) shows that positive propensity of trust has significant relationship with initial trust formation in Internet shopping. The result is consistent with study from Mayer *at el.*, (1995) stated that trust propensity will increase or decrease the tendency of initial trust in the Internet shoppers, therefore, propensity of trust has a direct impact on the formation of initial trust. Moreover, Internet shoppers with a high propensity to trust perceived the online risk to be less and therefore have more trust in online transactions (Ba, 2001; Mukherjee and Nath, 2007). Internet shoppers in Malaysia are having moderate tendency in trusting people according to the data collected. Cultural environment in Malaysia may be a reason to explain this high tendency to trust among Malaysian Internet shoppers. Propensity of trust can be influenced by cultural environment and experience in using Internet (Hofstede, 1980). In this study, cultural environment is the factor that influence positively to propensity to trust.

6.2.5 Cultural Environment

Cultural environment is positively related with propensity to trust according to the result (refers to **Figure 5.2**). As part of the Asia, Malaysia tends to be more cultural collectivist according to Triandis, (1989). In collectivist culture, people tend to follow certain behavioral action that is acceptable by the society. In this study, intention to purchase online is the behavioral action that influence by the attitude, initial trust in Internet shopping. Hence, if purchase on Internet is widely acceptable in the Malaysia cultural, then Malaysian Internet shoppers are more easily to be convicted to make purchase online. However, in Malaysia, Internet banking and purchase ticket online seem to be the two major areas that widely acceptance by most of the Malaysian. Other areas of online purchases such as grocery, garment, electronic appliance, and furniture seem to be received less attention by Internet shoppers in Malaysia. Therefore, Malaysian is accepting purchase online selectively and this behavior action may not generalize to all Internet business. As a result of that collectivist cultural effect could partially explain this phenomenon in Internet shopping in Malaysian cultural environment.

6.2.6 Experience

The result (refers to **Figure 5.2**) shows personal experience with Internet was found insignificant in this study. According to Hofstede (1980), people who have a positive experience with the Internet tend to be more trusting of Internet transaction. However, the result did not in line with previous study. The result showed Internet experience did not contribute in propensity to trust. In other words, personal

experience with Internet may not increase tendency to trust in propensity to trust even most of the Internet shoppers have experience with Internet for information searching and comparing prices. One of the reasons to explain this discrepancy may be Internet shoppers view experience with Internet is purely a technique gained to access Internet or the level of ability to gain more information from Internet for certain purpose. Experience with Internet is merely an internal capability acquired by Internet shopper and Internet vendors playing a minimise role in this experience generating process by using a web-site.

6.2.7 Initial Trust in Internet shopping

According to the result obtained from PLS analysis (refers to **Figure 5.2**), Initial trust in Internet shopping is strongly related to intention to purchase online. The result is in line with the study from Tan and Paul (2004) stated that Intention to purchase online is the anticipated result of the overall intention of initial trust. Sufficient trust in Internet shopping is important in encourage Internet shoppers to move ahead to transact with Internet vendors.

6.3 Implications and recommendations

From the result of this study, it is clear that in order to gain trust from Internet shoppers, Internet vendors are advised to focus on a number of factors to build trust. Firstly, it is imperative for Internet vendors to demonstrate integrity by various initiatives such as public relation programs, sponsorship, advertisement to assist Internet vendors in developing integrity perception. Simultaneously, Internet vendors must demonstrate competency in conducting online business by designing a website that is informative, attractive and user friendly to increase traffic.

Furthermore, the factor that Internet vendor should pay attention to is security control and privacy control. Our findings, from both ranking order and PLS show that Internet shoppers are particularly concerned about their security and privacy of information if they intend to make any purchase online. Security features should be embedded into the Web-site design and configuration. Similarly, privacy statement should be made available to Internet shoppers on the web-site and initiative must be made to encourage Internet shoppers to understand the privacy policy. Nonetheless, according to Schlosser, White and Lloyd (2005), web-site design is the one that influences Internet shoppers to trust and consequently impacts intention to purchase online, therefore, Internet vendor should pay more attention to web-site design.

On the other hand, Internet vendors may consider making extra effort to educate Internet vendors the functions of any third party payment recognitions, *i.e.*, payment accreditation bodies such as VISA verified. The aim of this suggestion is to make Internet shoppers aware of the importance of such third party recognition

bodies so to enhance their confidence in the security and privacy control. Governmental agency related to e-commerce may consider educating general public via advertisement to highlight the consumer right and legal protection that Internet shoppers could expect in the Internet based business transactions. Such move could increase the awareness level of general public so to encourage more offline shoppers to shop online and purchase online.

6.4 Contributions of the study

This paper has both theoretical and practical contributions. From a theoretical perspective, first, the finding of this study reveals that competency did not contribute to the formation of trusting belief, which is not in line with McKnight *et al.*, (2002), stated that the three dimensions of trusting beliefs, namely integrity, competence and benevolence are highly correlated with each other. Thus, this study provides an understanding of the trust belief related factors that Malaysian Internet shoppers consider the formation of initial trust in Internet shopping. Second, security and privacy are found to be a unidimensional construct. This is also does not in line with previous studies from Warrington *et al.*, (2000) and Culnan and Armstrong (1999). Prior studies often distinguished between security and privacy and have not considered how they work as a single dimensional construct or in combination to influence initial trust in Internet shopping. Hence, this study found out the possibility of combination of security control and privacy control as perceived by Internet shoppers in Malaysia in the formation of initial trust.

From a practical perspective, the findings of this study highlight a number of antecedents of initial trust that may lead to successful business transactions from Internet shopping in business to consumer environment. More specifically, results of this study suggest that since Internet shoppers' perceptions of integrity, security and privacy are strong predictors of formation of initial trust, Internet vendors should pay attention in drafting their business policy and strategy to demonstrate the integrity quality, and ability in protecting Internet shoppers' interest and information by way of security control and privacy control.

6.5 Limitations of the Study

There were several limitations encountered in this study. Firstly, an important limitation of this study is the samples collected in Klang Valley. Internet users in Malaysia are widely spread over to other states, including Sabah and Sarawak. Furthermore, Internet is commonly available in both urban and suburban areas of Malaysia. The concentration of sample collection in Klang Valley may not be adequate in generating an exhaustive picture that reflects the whole Internet users' population in Malaysia. Internet users from other states or from suburban may show different attitude of trust compared to Internet users who stay in Klang Valley. As a result, the generalisability of the findings to a wider population should be done with caution.

Second, although the conceptual model proposed in this study received empirical support, however, we would also like to highlight the possibility of alternative models for understanding the relationships among the constructs

examined. For example, the study proposed that formation initial trust is influence by these factors before the behavioral intention to purchase online, however, research from McKnight *et al.*, (2001-2002) suggests that these factors might influence intention of purchase online directly, rather than indirectly via initial trust. Alternatively, propensity to trust could be positioned as a moderator of the relationship between factors and intention to purchase online.

Additionally, cross sectional design was employed in current study to assess predictors and behavior intention concurrently in the same set of questionnaire, where the required logical time interval was not adhered, hence the analysis of causal relationships for the constructs was not possible. However, longitudinal study design is able to fulfill this requirement whereby measures of predictors will be collected at Time 1, whereas behavioral intention will be assessed at Time 2.

Lastly, response bias from respondents could be expected as a result of Internet users with different background may response to the questions differently. Some respondents are heavy Internet users, but some are not. To a certain extent, some respondents are with no online experience. Therefore, evaluation made by respondents may not be accurate due to different level of understanding on the issues. Furthermore, this study was conducted by way of a self administrated questionnaire, therefore, the assessment by the respondents to the questions in the questionnaire is remains unknown. Respondents may evaluate the questions inaccurately due to the gaps or misunderstanding between the respondents' understanding and the concepts measures by the question. On the one hand, the

honesty of respondents in answering the questions during the survey is a constraint of this study.

6.6 Suggestion for future research

The growth in e-commerce will continue and antecedents of initial trust are a wide area of study. This research has only investigated a modest part of this area. Therefore, there may be other antecedents of initial trust building for Internet vendors. Firstly, it is suggested that the study can be replicated using a longitudinal study design to test the causal relationship between the constructs in the model. This study has focused on samples collected from Klang Valley, thus, it is possible that the results taken from other part of Malaysia might have different results. Moreover, in light of the possibility of alternative models for understanding the relationships among the constructs, future research may consider how these alternative models of the relationships among initial trust, intention to purchase online and their antecedents to initial trust may complement or contradict each other.

Another area in need of additional research concerns is the Internet technology itself in helping initial trust formation. For example, website's design may be able to increase Internet shoppers' confidence, a relevant area is the type of website features help to build trust. What are the web elements influencing the initial trust formation? Is web element that relevant to initial trust formation for Internet vendors offering products similar to those offering services? If so, what are the different?

Furthermore, the effect of cultural environment influence is another area that could be explore further on the influence of initial trust formation in Internet shopping. To what extent does cultural environment influence the formation of initial trust? In addition, brand may be a potential antecedent in the formation of initial trust. Is brand helps in initial trust formation, if so, to what extent brand playing a role in such trust building process?

6.7 Conclusion

The Internet provides opportunities for shoppers to be innovative and be readily to access Internet and to shop on-line in the current Information System (IS) environment. Internet shopping can lead to many benefits through, for example, save time and cost, and new distribution channels. Towards, these goal the thesis has taken the initiative to examining the adoption behavior by Internet shoppers in developing countries (*i.e.*, Malaysia). The thesis primary goal is to find to answers to three research questions. Firstly, what are the antecedents that influencing Malaysian Internet shoppers' initial trust in Internet shopping? Secondly, does initial trust contributes to the intention to purchase online of Malaysian Internet shoppers in Internet shopping? Lastly, does propensity to trust affect the relationship between the initial trust in Internet shopping and intention to purchase online?

The findings indicate that Internet shoppers develop initial trust on Internet shopping through integrity of Internet vendors and benevolence of Internet vendors and thus, be able to overcome inhibiting factors and be more comfortable to purchase online. Technical competency is also a crucial determinant that allows

Internet vendors to overcome inhibiting factor such as trust and purchase online. Cultural environment was also found to play a significant role in influencing propensity to trust. Once Internet shopper in a cultural environment that promote Internet shopping that have the potential to develop trust and have the openness and willingness to trust Internet shopping or Internet vendors. These identified antecedents lead to the formation of initial trust in Internet shopping. Ultimately, the initial trust in Internet shopping leads to the intention to purchase online.