

# ANALYSING THE IMPACT OF MORAL BEHAVIOUR ON CONSUMER TRUST: AN INDIAN E-RETAILING PERSPECTIVE

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**ABSTRACT:** *The rapid growth in technology encourages companies to do online business. Although e-retailing has witnessed vast advancement, consumers' worries concerning ethical issues continue to increase because of the lack of physical interaction in online environment. The aim of this paper is to analyze the consumer trust towards the e-retailers' websites based on perceived moral behavior using CPEOR model. This study examines the perceived moral issues related to reliability, privacy, security and non-deception and its effect on website trust. A survey instrument is administered to a sample of 220 online consumers living in Delhi, India. The measuring variables and their relationships are estimated using SPSS-21. The findings show that reliability, privacy, security, and non-deception are major forecasters of website trust. The current research observes the relationship between perceived moral behavior and website trust in the Indian context. By offering verifications to the formerly differing outcomes in the literature, a relationship between consumers perceived moral e-retailing and trust towards website was confirmed. The study attempts to help e-retailers to understand the expectations of the customers better and to develop business ethics frameworks in order to gain consumer trust.*

**Keywords:** e-retailing; ethics; moral behavior; online consumers; trust

## 1. INTRODUCTION

The website offers a new environment for immoral practices (Freestone and Mitchell, 2004) and the easiest way to damage the relationship between the buyer and the seller is to mutilate the code of ethics (Fisher et al. 1999). With escalating online transaction, ethical problems related to websites have prompted concerns among both the customers and the e-retailers (Roman, 2008). These emerging apprehensions can hurt and limit online retail development. Physical retail locations might have the capacity to flag delayed presence and moral conduct by outside variables, for example, their area or by the activities and states of mind of their representatives. These qualities are absent in virtual organizations which offer online purchase choices (Roman, 2007). Citera et al. (2005) referred that moral offenses will probably occur in e-exchanges when contrasted with eye to eye exchanges. The incredible growth of e-retailing offers ethical concerns by the method web expresses to a new state for misleading behavior (Freestone and Mitchell, 2004).

The physical absence of the buyer and seller and that of the buyer and the stock creates complications to the e-retailers to adopt innovative ideas to start and maintain online business networks (Warrington et al., 2000). Retailers can form authoritative connections with buyers through collaboration based on trust (Elbeltagi, 2016; Dayal, 2001). Policies comprised to maintain trust are sustainable in building positive attitudes among online buyers, whereas the negative occurrences have an adverse effect in the minds of online shoppers (Chen, et al., 2013). Although online retailing is advancing at a fast pace, associates at all stages still exhibit a basic absence of trust. Egger (2000) observed that absence of trust in e-security and customer benefit have formed an obsessive obstruction to online trade. It is largely observed that the importance of trust in online retailing values unexpected reflection (Warrington et al., 2000). The track in which trust might be established and the effect it has on e-retailing outcomes are not yet surely known (Jones, et al., 2000).

This study uses the Customer Perception of Online Retailers Ethics (CPEOR) created by Roman (2007) to decide the connections between ethics related to electronic retailing (e.g. security, reliability/fulfillment, privacy, and non-deception) and shopper's trust. On account of the simplicity with which shoppers can change starting with one site then onto the next, client dependability is hard to look after (Bergeron, 2001). The business standpoint of what does and does not contain ethical conduct may not be consistent with purchaser observations (Galavielle, 2004) and as indicated by Crane (2005), organizations' mindfulness about shoppers' moral convictions and qualities is restricted. Although numerous organizations are tolerating the significance of web-based business and internet retailing exercises, little consideration has been given to the ethical thought of this new medium (Bush et al., 2000). Hence, this review plans to fill the crevice by looking at the immediate and aberrant impacts of reliability, security, privacy, and non-deception on client trust to online retailers' sites.

## **2. LITERATURE REVIEW**

E-commerce is defined as the process of distributing, promoting, purchasing, selling or exchanging products, services or doing the business transactions using the internet (Yang et al., 2009). Some ethical issues in web-based retailing are like the ethics of customary retailing (Palmer, 2005) yet web speaks to another condition for unscrupulous conduct (Freestone, Mitchell, 2004) bringing about moral slack which happens when the speed of mechanical change far surpasses the tempus of ethical advancement (Marshall, 1999). Carrigan and Attalla (2001) found that ethical conduct of an organization positioned behind the significance of picture, mold, and cost proposing that ethical conduct might be auxiliary while settling on buy choices. Yet, Siham (2013) recommended that unscrupulous practices may prompt to disappointed clients, awful verbal exchange, and absence of trust which straightforwardly influences mark reliability.

The part of trust is vital in E-trade as (1) business relates frequently don't have any acquaintance with each other, (2) there is restricted control over information amid their exchange, and (3) accomplices might be situated in various areas where guidelines and directions shift (Roy et al., 2001). Consumers make purchase decisions based on a trust in the product, workforce and the company (Kim et al., 2008). With regards to web-based business, trust incorporates the online buyer convictions and desire of components of the online vender (McKnight et al., 2002). Krauter (2002) found trust as the most important factor to consider the ability of electronic trade to consumers. Ease of use, information quality, privacy, security and reviews of consumers are the major components responsible for consumers' trust towards the site (Beldad et al., 2010). Lee and Turban (2001) deduced in their review that clients utilize different measures, for example, speed, dependability, accessibility, safety, arrange satisfaction, and customization to decide their trust in electronic exchanges in light of various levels of trust in innovation.

Few studies predicted that in online shopping consumers major concerns are related to privacy of personal data, security of online transactions, product quality and misleading information (Miyazaki and Fernandez, 2001; Grabner-Krauter, 2002). A review by Roman (2007) concentrates on multidimensional estimation to catch buyer view of morals in web-based retailing. The previous studies found that online morals comprise of four measurements: security, reliability, non-deception, and privacy, and the apparent violation of any of the four components may increase ethical concerns about e- retailers.

### **2.1 Reliability**

An extra measurement of online morals is the fulfillment or reliability of online purchase (Chen and Shergill, 2005; Wolfenbarger and Gilly, 2003). The expression "reliability" alludes to on time and precise conveyance of the online buy, exact item portrayal and appropriate specialized working of the site (Wolfenbarger and Gilly, 2003; Zeithamal et al, 2002). Reliability includes consistency of execution and trustworthiness. It implies the firm respects its guarantees (Shilpi, 2015). Reliability/fulfillment fundamentally allude to the speed of the organization's reaction to the clients and measures the capacity of e-rears to give fitting data to clients when an issue happens (Zeithamal et al., 2002). Alam and Bansal (2015) concentrated that dishonest business practices, for example, issues in discount, delay in conveyance and faulty items are noticeable in the online business industry which thusly influences trust and eagerness to purchase from the site.

## **2.2 Security**

In online retailing, the term security alludes to the well-being of the online exchanges and also protection of financial data from unauthorized access (Roman, 2007). Most reviews recommended security as the most critical element of on the web and online customers have genuine worries about passing on their monetary and additionally individual data to online retailers (Miayazaki and Fernandez, 2001). Forms of security threats constitute data fraud, getting to wiretaps, illegally obtaining data, infections, and money related extortion etc. (Someswar et al., 2001). Sadeh et. al., (2007) concentrated that business exchanges, security, Internet openness, the intrinsic absence of security in the exchange assertion, programming, framework powerlessness, and absence of validity are vital components.

## **2.3 Privacy**

In the context of online retailing, privacy refers to sharing of individual and monetary data of the clients by the online businesses. Sadeh et al., (2007) proposed that protection and security generously impact customers' ability to buy from online retailers. In global web connections, the significance of moral conduct of online retailers is given by web security, protection, and honesty of data (Anderson and Srinivasan, 2003). Privacy issues have turned into a critical theme in e-retailing research crosswise over many controls (Smith et al., 2011). There are different instances of focusing on purchasers' online conduct, in which the organization gathers and aggregate records of shoppers' online exercises to convey customized promoting (FTC, 2009).

## **2.4 Non-deception**

Deceptive practices happen when the e-retailer makes a conviction with the clients that is not quite the same as what could be normal by the client with sensible learning, and that impression or conviction is truly false or perhaps deceptive (Limbu et al., 2011). The review directed by Roman (2007) on Spanish shopper found a direct effect of non-deception on trust and satisfaction with the websites. While much has been composed on internet security from a mechanical perspective, the behavioral parts of surprising practices on the Internet got less consideration (Grazioli and Jarvenpaa, 2000). Deception is difficult to avoid and identify, and the accomplishment of the discovery precision rate is very low, along these lines expanding the chances for online misdirection occasions to happen. As indicated by National Consumers League's Fraud Center, (2007), the three most normal sorts of online misdirection are false check tricks, stock extortion, and misrepresentation including barterers.

## **2.5 Trust**

Trust, as indicated by Spekman (1988), is so imperative to social trade that it is the establishment of key collaboration between the dealer and the purchaser. Morgan and Hunt (1994) observed that trust occurs when one gathering indicates trust in a trade accomplice's unwavering quality and trustworthiness. Pawel and Urszula (2006) discovered key variables which affect building clients' trust are recognized and sorted into two gatherings - Transactional (elements which are entirely associated with the way toward making exchanges like correspondence before buy, security of installment, conveyance costs, methods for managing cases and returns); Non-Transactional (components which are not related specifically with the way toward making exchanges like law controls, insurance of shopper rights and protection, specialized foundation and exchange of outside trust). Electronic trade has been debilitated by the disintegration of trust held towards it by the customers. This causes huge danger to the improvement and accomplishment of web-based business.

With the increase in the level of trust towards the website, the online purchase also increases (Jarvenpaa et al., 1999). Hoffman et al. (1999) found that the consumers prefer online purchasing over physical stores if they trust the quality of the product and protection of personal and financial information. Rao and Singhapakdi (1997) reasoned that moral principles and trust are indistinguishable ideas and building trust requires moral conduct. Studies also examined that the moral components such as protection of individual data, security of monetary information are antecedents of consumer trust towards the online retailers (Pollach 2005). Elbeltagi (2016) found that internet retailing ethics assume an imperative part in buyer trust and commitment working in web-based retailing.

## **3. RESEARCH FRAMEWORK AND HYPOTHESIS**

This study proposes a model that will examine the direct and indirect relationships between moral factors associated with online retailers (e.g. privacy, security, reliability and non-deception) and the consumer trust.

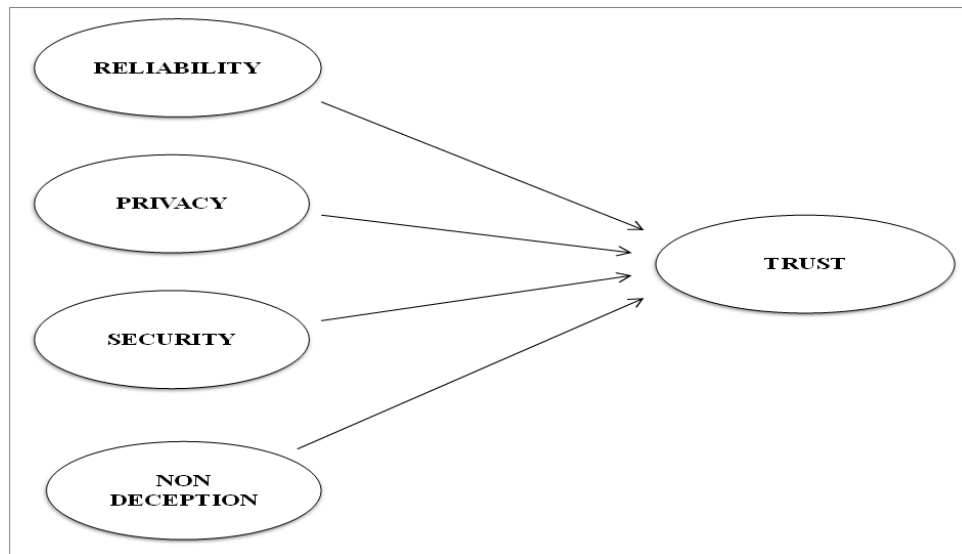


Figure1. Conceptual Framework

### 3.1 Reliability and trust

Olson and Olson (2000) observed that people work out to find how to trust others by noticing the promises made by different parties and how they were fulfilled. Another study conducted by Zeithaml (2002) has categorized that the success of online business depends upon the useful website attributes, convincing purchasing and rouse transportation. Furthermore, Bart et al. (2005) found in his research that reliability has a great impact on consumers' trust. Henceforth, we place that the request reliability will develop shoppers' trust towards the site and their purchase decisions.

H1: There is a significant positive influence of reliability on website trust.

### 3.2 Security and trust

As per the research conducted by Udo (2001), security and protection concerns are the major causes of non-involvement of consumers for online purchasing. This is because protection of financial information has a direct impact on online trust (Bart et al., 2005; Pollach, 2005). It is also stated in many previous literatures that perceived security control acts as a key antecedent of trust towards the website (e.g., Bart et al., 2005). Therefore, e-retailers seek to focus on online security control in order to develop trust and to make the internet a reasonable medium for business transactions. Consequently, we estimate that:

H2: There is a significant positive influence of security on website trust.

### 3.3 Privacy and trust

Previous studies propose that trust persuades consumers to give personal information to the e-retailers. Hoffman et al. (1999) emphasized that many shoppers don't trust the online retailers with their personal information at the time of online shopping. Pollach (2005) warned that lack of transparency in the privacy policy statements can lead to distrust. Expanding the control over

individual data has been found to decrease privacy concerns (Milne and Boza, 1999) and to build confidence in the web condition (Pavlou, 2003). Subsequently, we set that:

H3: There is a significant positive influence of privacy on website trust.

### **3.4 Non-deception and trust**

One basic issue of web-based retailing is non-deception wherein the consumers trust that the retailer does not use misleading or manipulative practices with the intention to persuade the buyers to buy the website's offerings. Fraud is a special kind of online misdirection which can easily be done in web-based businesses. It is regularly made conceivable by phishing or deceiving purchasers into revealing their secret word data or charge card or financial balance points of interest. Roman (2007) found a serious effect of non-deception on Spanish consumers' trust and satisfaction with the websites of e-retailers. Henceforth, it is practical to assume that a state of misleading and manipulative actions will encourage distrust towards the website.

H4: There is a significant positive influence of non-deception on website trust.

## **4. RESEARCH METHOD**

### **4.1 Measures**

The items chosen for the variables were mainly taken from previous studies and literature to confirm content validity. A multi-item scale has been developed based on the literature review for this study. The measure of perceived moral principles was adopted from Roman (2007) which consists of four components: security (5 item measures), privacy (4 item measures), non-deception (4 item measures) and fulfilment/reliability (4 item measures). All scales consisted of 5-point Likert questions, ranging from "1 = strongly disagree" to "5 = strongly agree". Trust was measured using four items scale adapted from Sharma and Lijuang (2014) which consisted of 5-point Likert questions. An opinion survey was conducted to measure the variables using structured questionnaire.

### **4.2 Data Collection**

A survey instrument was administered to a sample of 220 students who were enrolled in various business colleges in Delhi (India). Student samples have often been used in online shopping research e.g., (Kim et. al., 2007). This is justified as students have in-depth knowledge of mobiles and computers and find no difficulties in using new technology. Students are potential consumers of electronic goods, having genuine online experiences (Yoo & Donthu, 2001), being consistent in nature (Jahng et.al. 2000), and their technological developments and innovations qualify them as an appropriate sample for research related to online purchase (Yoo & Donthu, 2001).

Previous information system studies in online shopping conducted their surveys by employing a convenient sampling approach (Li, 2011). Convenience samples are generally used under two situations: if the study is exploratory in nature and if the items on the questionnaire are applicable to the respondents who answer them (Ferber, 1977). This study fulfills both of them. Respondents were included in the study based on the requirement that at least one online purchase is made within the last one year. Data analysis was done using SPSS-21.

### **4.3 Data Analysis**

Out of 220 set of questionnaires which were distributed, a total of 207 questionnaires were collected. Out of this, 5 set of questionnaires were not fully completed. Therefore, only 202 useable sets of collected questionnaires were used for the data analysis. Thereby, the response rate was 91.81%. Out of 202 useable responses, 58.42 percent were male (41.58 female). Majority of the respondents make online purchase once a month (35.64 percent), followed by once in two weeks (26.73 percent), once a week (16.34), much rarely (12.87) and more than once a week (8.42 percent).

#### 4.4.1 Reliability and Validity test

Reliability for all the constructs was tested using Cronbach's alpha. According to Sekaran (2003), the reliability coefficient closer to 1.0 is considered to be good and the values above 0.70 are considered acceptable for the research. The analysis shows the reliability valuation of all the five constructs which was found to be good with values more than 0.70 as recommended by Sekaran (2003). Among the five constructs, the highest Cronbach's alpha value of 0.87 was found in case of security whereas reliability showed the least value of 0.72. The findings also show the Kaiser- Meyer-Olkin (KMO) measure of sampling adequacy was found to be 0.711 ( $p=0.000$ ), indicating that the variable has a strong relationship with each other.

#### 4.4.2 Pearson Correlation Coefficient

Pearson correlation coefficient ( $r$ ) is defined as the degree to which two variables are associated with each other. According to Sekaran (2003), in research which includes many variables, it is recommended to know how one variable is correlated with another. The coefficient ( $r$ ) of 1.0 shows that there is a perfect positive correlation between the variables whereas the -1.0 shows a perfect negative correlation. Even if the value of correlation coefficient ( $r$ ) is within the range of -1.0 to +1.0, it is recommended to know whether the correlation between the variables is significant or not. According to generally accepted principle, a significance of  $p=0.05$  is the accepted conventional level in social sciences research.

The correlation matrix between the dependent variable and independent variables are exhibited in table 1 below. The findings from this analysis are then compared against the hypothesis developed for this study. From the table 1, the following correlations are observed:

Reliability – trust relationship

The result indicates that there is a significant positive relationship between the two variables ( $r = 0.401, p<0.01$ ).

Security – trust relationship

The result indicates that there is a significant positive relationship between the two variables ( $r = 0.436, p<0.01$ ).

Privacy – trust relationship

The result indicates that there is a significant positive relationship between the two variables ( $r = 0.318, p<0.01$ ).

Nondeception – trust relationship

The result indicates that there is a significant positive relationship between the two variables ( $r = 0.343, p<0.05$ ).

**Table 1: Correlation matrix**

	Trust	Reliability	Security	Privacy	Nondeception
Trust	1	0.401**	0.436**	0.318*	0.343*
Reliability		1	0.466**	0.329*	0.708**
Security			1	0.407**	0.372**
Privacy				1	0.301*
Nondeception					1
*Correlation is significant at the 0.01 level (2-tailed)					
**Correlation is significant at the 0.05 level (2-tailed)					

According to table 1, the range of correlation coefficient between the dependent variable and independent variables is covered from 0.318 to 0.436 as security enjoys the strongest correlation with respect to trust followed by reliability while the weakest correlation falls to privacy. Overall, all the independent variables have significant positive correlations with website trust.

#### 4.4.3 Regression Analysis & Test of Significance

Multiple regression analysis is used as a tool to analyze the linear relationship between a dependent and multiple independent variables (Hair et. al., 2006). This is the method to check whether there is a significant relationship between the dependent variable and independent variables. According to Hair (2006), the test will be significant if the p-value is less than 0.05. The beta coefficient is used to determine which independent variables have the most influence on the dependent variable. The result is illustrated in table 2 below.

**Table 2: Regression analysis**

	Unstandardized	Standardized		Collinearity	
	coefficients	coefficient		Statistics	
Model	B	Beta	Sig	Tolerance	VIF
1 (Constant)	0.834		0.104		
Reliability	0.208	0.224	0.004	0.492	2.258
Security	0.431	0.329	0.002	0.774	1.292
Privacy	0.118	0.197	0.019	0.415	2.011
Non deception	0.202	0.211	0.015	0.443	2.032
R square	0.569				
Adj. R square	0.524				
Sig. F	0.006				

#### 4.4.4 Strength of relationship

Hair (2006) suggested that there is less chance of multicollinearity if tolerance value and VIF value are above 0.10 and below 10 respectively. Thus, all the tolerance values and VIF values prove that there is no multicollinearity issue. Based on table 2, security (B=0.431) has the strongest impact on trust which is significant at 0.05 level and followed by reliability (B=0.208), non-deception (B=0.202) and privacy (B=0.118). According to output of table 2, R square of 0.569 indicates that 56.9% of the variation in trust is explained by the factors of reliability, security, privacy, and non-deception. Meanwhile, 43.1% of the changes in trust are explained by other factors.

## 5. RESULTS AND DISCUSSION

In this study, there are four hypotheses. An alternative hypothesis for all the variables is accepted. Meanwhile, Table 2 shows the summary of a result related to the entire hypothesis.

H1: There is a significant positive influence of reliability on website trust. (Reject H0 if  $p < 0.05$ )

From table 2,  $B = 0.208$  and  $p = 0.004$  ( $p < 0.05$ ). Therefore, H1 is accepted, which indicates that reliability has a significant positive influence on website trust. This finding is consistent with the study conducted by Zeithaml (2002) which stated that fulfillment / reliability was positively related to customer trust which can be understood as on-time delivery, accurate products representation and commitment fulfilled. Moreover, (Parasuraman et al., 2005) studied that reliability is the major component in service quality as perceived by online shoppers. The finding of this study is also consistent with (Kalakota & Whinston, 1996) who examined that reliable response is an important factor of service quality which has direct influence on customers' trust and satisfaction

H2: There is a significant positive influence of security on website trust. (Reject Ho if  $p < 0.05$ )

From table 2,  $B = 0.431$  and  $p = 0.002$  ( $p < 0.05$ ). Therefore, H2 is accepted, which indicates that security has a significant positive influence on website trust. The result supports the study conducted by (Pavlou and Chellappa, 2001) which observed that to enable online transaction, it is necessary to provide perceived trust to the consumers' financial information. Lauer & Deng (2007) and Teo & Liu (2007) also found that security policies of the online retailers positively affect consumers to trust and shop on the web. Furthermore, online customers with a high inclination towards trust perceive less risk and thus have more reliance on online transactions (Ba, 2001).

H3: There is a significant positive influence of privacy on website trust. (Reject  $H_0$  if  $p < 0.05$ )

From table 2,  $B = 0.118$  and  $p = 0.019$  ( $p < 0.05$ ). Therefore, H3 is accepted, which indicates that privacy has a significant positive influence on website trust. This result is consistent with the findings of Li et al., (2001) which examined that use of privacy programmes improve trust towards the website. Also, the findings supported Lauer and Deng (2007) who concluded in their study that privacy affects the consumers' trust towards online retailers, willingness to purchase from online retailers (Adam et al., 2007) and loyalty to online retailers (Limbu et al., 2011). Moreover, this study supported the findings of Liu et al. (2004) who found that privacy concerns decrease trust.

H4: There is the significant positive influence of non-deception on website trust. (Reject  $H_0$  if  $p < 0.05$ )

From table 2,  $B = 0.202$  and  $p = 0.015$  ( $p < 0.05$ ). Therefore, H4 is accepted, which indicates that non deception has a significant positive influence on website trust. This finding supports the study conducted by Alam and Bansal (2015) who studied that unethical business practices such as issues in a refund, delay in delivery, defective products, return or replacement and poor customer care service decrease trust and willingness to buy from the website. Roman (2007) also studied the effect of non-deception on trust and found that both are positively related to each other. Findings from Darke and Ritchie (2007) showed that deceptive promotional activities cause consumers' distrust. Furthermore, studies found that deceptive selling actions decrease customer satisfaction and trust (Ingram, et al., 2005; Ramsey, et al., 2007).

## **6. MANAGERIAL IMPLICATIONS**

The findings propose that morals in e-retailing assume a significant part of building trust which influences the customers' purchasing conduct. Prior reviews additionally uncover that morals are the predecessor of fulfillment which offers ascend to expanded dedication towards the site (Limbu et al., 2011). Consequently, so as to pick up trust and satisfaction, e-retailers ought to satisfy the variables related to morals which clients mind. Since dependability is a wellspring of upper hand (Barney and Hansen 1994), the result recommends that by acting morally as far as control of client data, fulfillment of guarantees and utilization of non-misleading, a firm might have the capacity to make an upper hand by expanding shopper trust. This review found that security and unwavering quality are solid indicators of online trust. To guarantee the security of the exchanges, customers ought to be given a protected server to exchange, numerous installment choices and clear directions about security arrangements. Amend item portrayal, convenient and precise item conveyance and great client mind bolster administration are the techniques to accomplish unwavering quality towards the site.

## **7. LIMITATION AND FUTURE RESEARCH**

A conceivable worry with this research model is that we just concentrate on trust and its antecedent as perceived moral behavior. It is interesting to examine different factors, for example, satisfaction, commitment and attitude as forerunners to trust. Also, there are restricted reviews on moral thought in e-retailing, particularly in an Indian setting. In this way, the vast majority studies were embraced by other nations and their discoveries may not be reasonable to apply in India. Moreover, the specimen measure in this review may not be generalized to the entire population because of constrained money related assets and time accessibility.

Future research may be conducted regarding the effect of ethical online retailing on other dependent factors (e.g. buy aim, ability to prescribe companions and others). Since the momentum concentrate used a comfort test, future investigates ought to utilize the examples in various societies to have a more profound knowledge of morals theme. Future reviews identified with perceived moral principles in e-retailing are urged to direct further all through India and subsequently ready to clear up the consumers' perceptions in India altogether and can contribute to developing the finest findings of the study.

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