

**THE INFLUENCE OF TRUST ON ONLINE PURCHASE
INTENTIONS AMONG FINAL YEAR STUDENT OF
FACULTY MANAGEMENT AND ECONOMICS,
UNIVERSITI PENDIDIKAN SULTAN IDRIS**

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ELLVINSTERN ANAK EDIRIN

**FACULTY MANAGEMENT AND ECONOMICS
UNIVERSITI PENDIDIKAN SULTAN IDRIS**

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(2020)

DECLARATION

“I declare that this project is my own research except that I cited in the references.”

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*“Specially dedicated to my beloved parents, family, lecturer and fellow friends, who
had strongly encouraged and supported me in my entire journey of learning.”*



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ABSTRACT

E-commerce was very popular nowadays because of the use of technology in business. A convenient online shopping can increase the trust of consumers to purchase online. Trust also plays a major role in consumer intentions to make a transaction on online shopping. This study aims to identify the influence of trust on online purchase intentions as well as to analyze the influence of perceived ease of use (PEOU) and perceived risk (PR) on trust among students by using Theory Acceptance Model (TAM) as theoretical basis. Method used in this study is in quantitative. Total sample is 154 respondents with sample random sampling method is used and conducted by distributing questionnaire through google forms. Data is measured on five Likert scale and used SPSS (Statistical Package for Social Sciences) version 23. The findings of this research indicate that perceived ease of use (PEOU) have positive significant influence on trust. Different to perceived risk (PR) which accept null hypothesis shows that it is no significant influence on trust due to online shopping provide policies to protect their consumers. Overall trust has a positive significant influence on online purchase intentions. Then, this study suggests that can add more variants of variables related to behavior on online purchase intentions. As conclusion, this research confirms that trust have significant influence on online purchase intentions.

Keywords: E-commerce, Online purchase intentions, Perceived ease of use, Perceived risk, Trust



ABSTRAK

E-dagang sangat popular pada masa kini kerana penggunaan teknologi dalam perniagaan. Pembelian dalam talian yang mudah boleh meningkatkan kepercayaan pengguna untuk membeli dalam talian. Kepercayaan juga memainkan peranan penting dalam niat pengguna untuk membuat urus niaga dalam membeli-belah dalam talian. Kajian ini bertujuan untuk mengenal pasti pengaruh kepercayaan terhadap niat pembelian dalam talian serta menganalisis pengaruh kemudahan (PEOU) dan risiko yang dirasakan (PR) terhadap kepercayaan di kalangan pelajar dengan menggunakan Model Penerimaan Teori (TAM) sebagai asas teori. Kaedah yang digunakan dalam kajian ini adalah dalam kuantitatif. Jumlah sampel adalah 154 responden dengan kaedah persampelan rawak digunakan dan dijalankan dengan mengagihkan borang soal selidik melalui google. Data diukur pada lima skala likert dan menggunakan versi SPSS (Statistical Package for Social Sciences) versi 23. Kajian ini menunjukkan bahawa kemudahan (PEOU) mempunyai pengaruh yang positif terhadap kepercayaan. Berbeza dengan risiko yang dirasakan (PR) yang menerima hipotesis nol menunjukkan bahawa ia tidak mempunyai pengaruh penting terhadap kepercayaan kerana membeli-belah dalam talian menyediakan dasar untuk melindungi pengguna mereka. Kepercayaan pula mempunyai pengaruh yang positif terhadap niat pembelian dalam talian. Kemudian, kajian ini menunjukkan bahawa lebih banyak variasi pembolehubah yang berkaitan dengan tingkah laku pada niat pembelian dalam talian perlu ditambah. Sebagai kesimpulan, kajian ini mengesahkan bahawa kepercayaan mempunyai pengaruh yang signifikan terhadap niat pembelian dalam talian.

Kata kunci: E-dagang, Niat pembelian dalam talian, Kemudahan, Risiko yang dirasakan, Kepercayaan



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LIST OF ABBREVIATION

B2B	Business to Business
B2C	Business to Commerce
C2C	Commerce to Customer
C2G	Commerce to Government
EDI	Electronic Data Interchange
FPE	Faculty of Management and Economic
ISO	International Organization for Standardization
MCMC	Malaysian Communications and Multimedia Commission
MyCert	Malaysian Computer Emergency Response Team
PEOU	Perceived ease of use
PR	Perceived risk
SMK	Sekolah Menengah Kebangsaan
SPSS	Statistical Package for Social Science
SSL	Secure Sockets Layer
STPM	Sijil Tinggi Pelajaran Malaysia
TAM	Theory Acceptance Model
TRA	Theory of Reasoned Action
UPSI	Universiti Pendidikan Sultan Idris
www	World Wide Web

CHAPTER 1

Introduction

1.1 Advance

This chapter will discuss about study background, the problem of the study, study objective, study hypothesis, research framework, research interest, defining operational constraints and solutions

1.2 Background of the study

Electronic commerce or often known as e-commerce is the use of the internet, the World Wide Web (www), and mobile apps and browsers running on mobile devices to transact business (Kenneth and Carol, 2016). In 1960s, e-commerce was known as Electronic Data Interchange (EDI) and allowed businesses to exchange business documents with other businesses' computers (Lisa Sims, 2018). Isoraite (2018) stated that e-commerce is based on electronic processing and transmission of text, video and audio. Nowadays, the terms e-commerce was very popular all around the world. Khan (2016) stated that e-commerce is buying and selling of goods and services on the internet. This was supported by Shahriari, S. (2015) stated that e-commerce is process of trading product and services using computer network. Besides e-commerce ease new type of business based on information such as marketing, online order taking and online customer service (Gangeshwer, D. K., 2013).



A total of 47 556 establishments conducted e-commerce transactions were recorded in 2015 which 5.2 percent from overall establishments of 92 064, Department of Statistic Malaysia (2016). In the same year, the office of chief statistician Malaysia expressed that the salary of e-commerce in Malaysia was ruled by a neighborhood market with RM356.9 billion compared to the worldwide market of RM 41.3 billion. The press conference also expressed that the most elevated e-commerce wage by sort of clients was gotten through Commerce to Commerce (B2B) which was RM315.2 billion. This was followed by Commerce to Buyer (B2C) for a sum of RM73.8 billion and RM9.2 billion for Commerce to Government (C2G). This appears that Commerce to Customer (C2C) also plays an imperative part in financial development in Malaysia.

Online shopping is getting popularity in the young generation such as students. Students usually prefer to buy products from its original source and they mostly prefer online shopping due to great benefit such as convenience, saving time and money (Daud, Norzini Mohd, Nur Ridhuan Nor Shamsudin, Nuranika Shamimi Zaidan, Nur Khadihaj Mohamed, Intan Salwani, 2016). Based on survey conducted by (Commision, 2017), the internet adoption rate increased as level of education attainment increases. Three quarters of Internet users are employed where 17.1 percent were full-time students. Of all the full-time students, 67.4% were studying at the universities. The survey also concluded that more than half of online shoppers completed tertiary education. So, we can say that students from UPSI also contribute to this amount.

Trust plays as a vital part for clients to buys product which involves online transactions. This explanation support by Ba and Pavlou (2002), whom stated that the two most important factors shaping the decision to purchase online are utility and trust. Consumers need to trust a merchant before they make a purchase. Sellers can develop trust among online consumers by building strong reputations of honesty, fairness, and delivery of quality products—the basic elements of a brand. Trust can be used as mediator to other variable that related to online purchase intention. So, this research will focus on studying the impact of independent variable such as perceived ease of use, perceived risk to dependent variable which is trust and online purchase intentions. Technology Acceptance Model (TAM) was used as a theoretical basis. Finally, this research provides valuable insight about consumer behavior trust to makes online



purchase in e-commerce.

1.3 Statement of problem

Laudon in his book stated that there are eight unique features of e-commerce technology.

“All these features were the reason why e-commerce very popular among people nowadays. One of the features is ubiquity means that it is available everywhere and anytime compared to traditional marketplace which needs people to visit in order to make purchase. Next is global reach which mean people can make transaction all around the world to buy their selected products. Another great feature is interactivity where online merchant can engage with customers in ways like a face-to-face experience by using social networks, smartphones and Twitter. Another five features were universal standards, richness, information density, personalization and social technology. All these feature makes business more effective and efficient.”

Laudon. K (2016)

However, in dealing with e-commerce commerce, different parties are also included, such as clients, providers, banks and third-party installments. There was a more noteworthy chance for extortion to happen and deals issue to buyers. Ghosh, M. (2010); Kilausuria Abdullah (2015) characterize fraud as an act that is misleading, or of guile, or an act executed to pick up unfair benefit from consumers. This incorporates any exchange activities that are arranged not to be paid such as misappropriation of resources. Related to students in most university, they will use online banking or third-party payments to pay their goods. So, without knowledge on e-commerce sites, some students might be scam by irresponsible merchants. In addition, trust in business-to-consumer (B2C) E-Commerce is built up exceptionally different than in business-to-business (B2B) E-Commerce situations since relationships are regularly shorter in term and more transaction-oriented (Selvarajah, K. et, al. 2017).

According to MyCert (2016), the Malaysian Computer Emergency Response Team (MyCert) reported a total amount of 3921 cases of online fraud. This statement was supported by study conducted by Telenor Group that 1 in 5 Malaysians have fallen to internet auction scams (Telenor Group, 2016). It shows that an amount of RM 14 million were loss for pre-order type of fraud (Alias, 2016). This shows that fraud can be a dangerous matter in term of online shopping. The problems may rose up higher year by year if consumers do not have enough knowledge about e-commerce especially including bank transaction. So, this study combined Theory Acceptance Model (TAM) with two variable which are perceived risk and e-commerce knowledge to determine the influence of perceived ease of use, perceived risk and e-commerce knowledge on online purchase intentions of students.

1.4 Research Objectives

The purpose of this study are as follows:

1. To identify the influence of perceived ease of use on trust
2. To identify the influence of perceived risk on trust.
3. To identify the influence of trust on online purchase intentions.

1.5 Question of the study

To achieve the research objectives, all of questions of the studies must be solved.

- 1.5.1 How perceived ease of use and perceived risk can influence trust?
- 1.5.2 How trust can influence online purchase intentions?

1.6 The hypothesis of the study

Based on research objectives, hypothesis formed for this study is as follows:

Hypothesis 1

Ho1a: Perceived ease of use has no significant influence on trust.

Ho1b: Perceived risk has no significant influence on trust

Hypothesis 2

Ho2a: Trust has no significant influence on online purchase intentions.

1.7 Research framework

The revision framework refers to the structure of the abstract idea or logical drive planning, implementation and reporting of an overview. It is a structure that brings our parts together in a review to form an overall (Nik Aziz, 2003). In this study, researchers adapt a framework of research of TAM and inserting new variable which is perceived risk as described in Figure 1.1 below. The framework of this study formed in accordance with the purpose of the study that looked at the relationship between perceived ease of use and perceived risk on trust and trust on online purchase intentions.

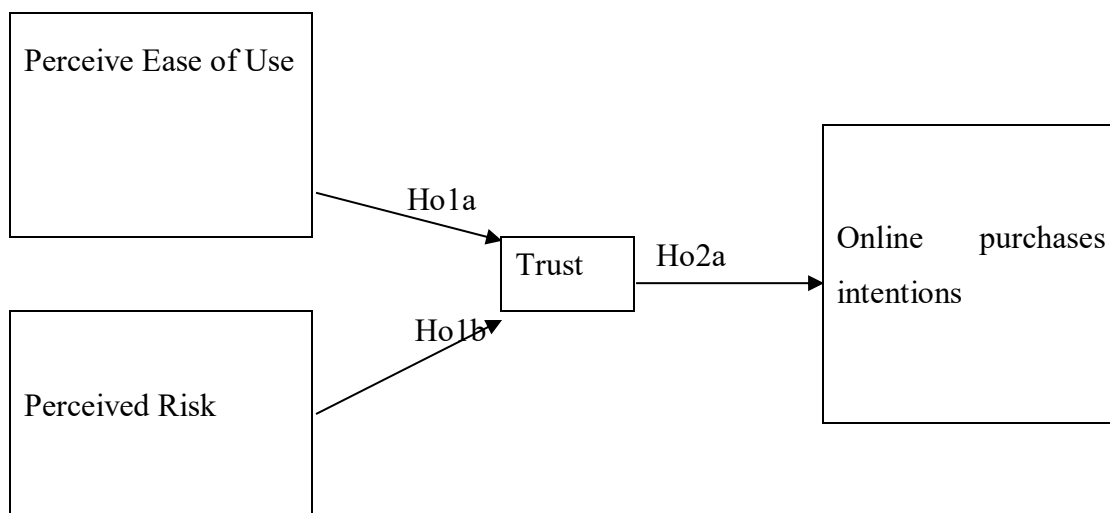


Figure 1: Conceptual framework

In this model, the relationship of all the factors was related to online purchase settings. A consumer's intention to purchase products or services through online purchase is unexpected on a consumer's trust. Customers will less likely to purchase at online stores that come up short to make a sense of trust and effectively usable setting. So, the trust would be impacted by perceived ease of use and perceived risk, both of which are set as independent variables in this model. Trust acts as a mediating variable while online purchase intention could be a dependent variable.

1.8 Significant Studies

This research can expand their knowledge in the field of e-commerce, especially on the intention to purchase online by applying theory acceptance model (TAM). This research has contributed significantly to student especially, e-commerce, business, policies makers and to government

This study is important for the younger generation especially students to be used as a guide to know what factors influence online purchase intention. In addition, the findings of this study offer feedback on the relationship of perceived ease of use and perceived risk on trust and trust on online purchase intentions among students. This information is important for students because they need to have knowledge about e-commerce nowadays to avoid the occurrence of fraud.

Then, this study is important to e-commerce business. Nowadays, a more secure and convenient online shopping can increase consumer trust to make purchases. A better understanding on what factors and determinants that can increase online shopping trust can give an advantage to the vendors. This study will reveal what actually the variable that must be prioritize between perceived ease of use or perceived risk to measures the quality of trust in online shopping websites.

Nest, rather than online business, traditional business also need a good knowledge on how to increase trust in their business. A greater trust that can be generated in a business can increase the attitude of the customer to purchase repeatedly.

Moreover, trust also can makes the customer to be loyal and likely to purchase on that shop regularly. So, this study is important to both online business and traditional business so that vendors know how to increase the trust that can influence online purchase intentions.

Policies makers also gain the advantages of this study. Findings in this study can support their idea on how to increase trust on online purchase intentions among consumers. A better understanding on which factor can affect consumer trust also can give an advantages to policies makers. Moreover, they can compare the results findings with another relatable research to gain depth knowledge about influence of trust on online purchase intentions. This is due to different research may came out with different results.

Then, this study is important to government. Government must prioritize the safety and trust of business in globalization market nowadays. This is to reduce the total of fraud that can happen to the consumers. By knowing what actually variable that can increase trust in online purchase intentions, government can implement any policies that can increase this trust. So, government must cooperate with policies makers about this issues to reduce the fraud in business.

1.9 Limitation of the study

The extent of this study is to look at the relationship and investigate the influence of perceived ease of use and perceived risk on online purchase intention among students from FPE, UPSI. As this research using a structured questionnaire it leads to limited outcomes outlined in the study, so the respondents have limited options to the response. Limitation of data collection as the researcher uses random data sampling to save costs. In addition, only one of the main methods used to collect data, namely by using the method of distributing the questionnaire through google forms. Some of the limitations and problems provided by researchers are as follows:

Generalization of Findings

This study was performed on the final year student from Faculty of Economics and Business who mostly have taken E-commerce and Management Information System subject in past semester. Therefore, research findings cannot be used to generalize the online purchase intention among students from all over Malaysia.

1.10 Operational Definition

1.10.1 Online Purchase Intention

A situation where a consumer is willing to buy product and services by making online transaction via Web or Internet (Pavlov, 2003). In this study, online purchase intention refers to the willingness of students to purchase on online shopping.

1.10.1 TAM

TAM can be utilized to study the behavior of consumers who intend to buy online by assuming online shopping as a specialized framework and the customers as technology clients (Rong Li and Jaejon Kim, 2007). In this study, one of the factors from TAM which is perceived ease of use has been utilized to know its impact on trust.

1.10.2 Perceived Ease of Use

An indicator of the cognitive effort needed to learn and to use the new Information and Technology (Gefen et al., 2003). In this study, perceived ease of use refers to an indicator to measure how difficult students used Web and Internet to make online purchase.

1.10.3 Perceived Risk

A consumer's recognition of the vulnerability an unfavorable result of engaging in an activity (Dowling & Staelin, 1994). In this study, perceived risk refers to student's perception of the uncertainty to make purchase on online shopping.



1.10.4 Trust

A set of specific beliefs dealing primarily with the integrity, benevolence, and ability of another party (Gefen et al., 2003). In this study, trust will be more to online shopping context. McKnight et al., (1998) stated that online trust achieved when one person (the online seller) is benevolent, competent, honest, or predictable. This means students have trust on online seller.

1.11 Summary

This chapter provides the scope and direction of the study, while its focus is to explain the main issues that have covering studies on factors that have entrepreneurial desire students to graduation. Besides, this chapter also give an illustration about the question of study. From research question, objectives can be made and the hypotheses of this study was constructed. There are two hypothesis in this research. This chapter also include research framework, significant of the studies, limitation and operational definition. For, the next chapter 2, a more details about definition and relate bale past studies will be discussed.

