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## EDITORS

Agus Wahyudi Salasa Gama  
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## IPSC

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# The Influence of Online Shopping Ethics on Trust, Repurchase Intention And Loyalty: Perception of Economics And Business Students

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**Abstract.** The popularity of online shopping has grown tremendously due to its ease of use, convenience, and cost-effectiveness. However, this trend has also brought about ethical concerns, as it creates a new environment for unethical behavior. Despite the importance of online shopping, there has been little research on the ethical behavior of online retailers. This study aimed to examine the impact of online shopping ethics on trust, repurchase intention, and loyalty among economics and business students. Data was collected through a questionnaire and analyzed using Smart PLS. The results indicate that online shopping ethics has a significant positive effect on trust, repurchase intention, and loyalty. Therefore, it is crucial for online retailers to prioritize ethical behavior to build customer trust, foster repeat business, and sustain long-term success.

**Keywords:** Online shopping ethics, Trust, Repurchase intention, Loyalty.

## 1 Introduction

Online shopping has become increasingly popular in recent years, mainly because of its convenience, ease of use, usability, and the money, time, and effort savings it brings [7]. This extraordinary growth of online shopping has, inevitably, raised ethical issues as this type of shopping pattern creates a new environment for unethical behavior [8].

Consumer concern regarding the ethical issues of online shopping in various parts of the world continues to increase. Intense competition, easy switching of consumers from one website to another, and drive for a larger online market share makes online retailers indulge in unethical business activities. Consumer concerns about online shopping ethics also occur in Indonesia. Various modes of fraud continue to develop along with the intensity of online shopping through e-commerce and social media recently. Fraudsters often pretend to claim to be sellers in online shops, marketplaces, buyers, couriers, and even Customs and Excise officers in carrying out their actions [15]. Even though many businesses recognize the importance of this online shopping activity, not many parties, especially researchers, have paid attention to ethical behavior in this network-based shopping [8].

Repurchase intention from consumers is considered by academics and practitioners as one of the critical success factors for online shopping activities with the implication being cost savings and increased profits for business stakeholders [29]. Morgan & Hunt [11] have long revealed that commitment and trust are the variables that mediate the relationship between relationship marketing and repurchase intention. To ensure the sustainability of the online retail business, online retailers must convince their customers to become loyal customers because maintaining customer loyalty saves time and costs more than trying to get new customers [9]. That is why consumer loyalty can be considered as an important factor of competitive advantage and sustainable performance in online-based retail [10].

Based on the description above, it can be surmised that online shopping ethics has a positive effect on consumer trust, loyalty, and repurchase intentions, which in turn will greatly affect business sustainability in the long run. Online shopping has caught the attention of students in the current generation [7]. As part of the younger generation, students can adapt most easily and quickly to various technological developments. The main objective of this research is to determine the effect of online shopping ethics on trust, repeat purchase intention, and customer loyalty from the perceptions of economics and business students.

## **2 Literature Review**

### **2.1 Theories**

The theory of ethics in business is a theory that forms the basis for behaving and making decisions that are acceptable in the work environment. There are many theories that have been expressed, but at least there are three main ethical theories, namely: deontological theory, utilitarianism, and norm theory [13]. The deontological theory states that ethical behavior must follow a set of established rules or principles in all kinds of situations. Although the actual results of following established moral principles may vary, the results do not determine whether the action is ethical or not. The theory of utilitarianism is the idea that business behavior must consider the consequences of actions that will benefit the many people, whereas the theory of norms holds that certain standards of moral behavior must be followed by all groups. Acceptable forms of behavior are usually defined for various possible situations. An example of norm theory in the business world is a manual of employee codes of ethics or company codes of ethics.

1. **Commitment and Trust Theory**

The moral paradigm holds that the presence of a commitment and trust is central in a successful sustainable relationship, not because of the power and ability to condition the other party [11]. Electronic commerce (E-Commerce) has gained strong momentum in various industry sectors since the release of Netscape's commercial browser. However, the sharp collapse of the dot com companies in the early 21st century was mainly due to the lack of relationship commitment and trust among participants in E-Commerce [14]. Trust and commitment are important constituent concepts in relationship marketing, especially business-to-business and business-to-customer. This view provides a better explanation of customer retention and loyalty [6].

2. **Online Shopping Ethics**

Online shopping is the purchase of products or services requested from using internet services through websites, and applications or some social media platforms. Payment for

purchased products can be done by card or by cash to the delivery officer [1]. Ethics highlights the right or wrong behavior of a company or individual and involves systematics, discipline, and ways of behavior that are legally and morally binding [2]. The ethics of online shopping are related to the integrity and responsibility of the company (behind the website) in its efforts to deal with buyers in a safe and fair manner which ultimately protects the interests of the buyers. Roman [17] reveals that from consumer perceptions, there are four dimensions in understanding online shopping ethics, namely: security, privacy, no fraud, and fulfillment/reliability.

### 3. Trust

Trust is a psychological state that involves a willingness to accept one's vulnerability but with the expectation that the other party will act honorably [3]. Customer trust can be interpreted as the customer's willingness to rely on the seller and take action in circumstances where this action makes the customer pay attention to the seller [4]. Trust arises when sellers understand customer needs, respect them, and offer relevant services [5].

### 4. Repurchase Intention

Repurchase intention is defined as the possibility that consumers will continue to buy products or services from the same supplier or retailer [12]. Repurchase intention is basically customer behavior in which customers respond positively to the quality of a company's products and intend to revisit or re-consume the company's products [21]. In the context of online shopping, this can be interpreted as the reuse of the website, or online channels of the same retailer to buy a product [22].

### 5. Loyalty

Loyalty is a function of psychological processes, as a biased behavioral response that is expressed from time to time by decision-making units (customers), with respect to one or more alternative brands (products, sites) from a certain set of brands (products, sites) [20]. Customer loyalty is referred to as a strong commitment by customers to regularly repurchase favorite products or services in the future [18]. Loyalty implies a strong positive attitude from customers which is often shown by repurchasing the products or services of a particular company [19].

## **2.2 Online Shopping Ethics and Trust**

Saidi & Zinoubi [23] revealed that online shopping ethics had a significant positive effect on trust. Evanita, Trinanda, & Dwita [25] proved that business ethics had an effect on Gojek customer trust. Alam et al [26] confirmed a positive correlation between online retail ethics and consumer trust. Sahetapy [27] revealed that business ethics are principles that foster customer trust.

H<sub>1</sub>: Online Shopping Ethics has a significant positive effect on Trust.

## **2.3 Online Shopping Ethics and Repurchase Intention**

Agag [8] showed that the buyer's perception of supplier ethics can strongly predict the buyer's repurchase intention. Ahmed, Ali, & Top [1] regarding customer perceptions reveals that online shopping risk is negatively related to customer shopping intentions. Ghias, Ahmed, & Khan [12] revealed that customer's repurchase intention is influenced by three of the five network shopping ethics variables, namely: electronic service quality, reliability, and non-deception, while the influence of 2 remaining variables - trust and security - is insufficient significant. Yang, Ngo, & Thi Nguyen [24] revealed that there is a significant relationship between the ethics of online retailers and customer purchase intentions. The results of research by Yuniarti et al [28] reveal that there is a significant relationship between the ethics of online retailers and customer purchase intentions.

H<sub>2</sub>: Online Shopping Ethics has a significant positive effect on Repurchase intention.

## **2.4 Online Shopping Ethics and Loyalty**

Evanita, Trinanda, & Dwita [25] argued that business ethics affect Gojek customer loyalty. Wong et al [19] provide evidence that online shopping ethics is related to online customer loyalty. Choi & Mai [10] revealed that the characteristics of online-based service quality have a positive effect on customer loyalty. Swami & Humbe [16] revealed that the ethical performance of online companies can build customer loyalty.

H<sub>3</sub>: Online Shopping Ethics has a significant positive effect on Loyalty.

Consumer trust is an important element in online shopping activities, especially due to the physical distance between sellers and buyers who do not know each other. The level of trust in the seller's website felt by consumers will determine the existence of the online shopping model in the future. The ethical behavior of sellers in online shopping activities is vital in building the trust of their customers. Deontology Ethical Theory, Virtue Theory, or Commitment-Trust Theory can be the basis for building trusting relationships between sellers and their customers.

To build customer repurchase intention, the first thing a seller has to grow is to design an ethics-based seller website that concerns the four dimensions of online shopping ethics, namely: security, privacy, non-deception, and fulfillment/reliability. If the online retailer is able to cultivate ethical behavior in running an online business, then this will foster a sense of satisfaction that triggers repurchase intentions and interest for customers on the seller's website.

A strong ethical culture that is embedded in the online retailer's work environment, will create a sense of satisfaction in their customers. Repeated satisfaction experienced by customers in turn creates fanaticism and customer loyalty to the seller's store or website.

## **3 Methodology**

### **3.1 Research design**

The research approach uses a quantitative approach, while the type of data is primary data, namely data obtained directly from the respondents. The data collection method uses the survey method through the distribution of questionnaire instruments to respondents online using the Google form.

### **3.2 Population and Sample**



The population in this study were all students of the Faculty of Economics and Business, Tarumanagara University (Untar FEB), Jakarta. The research sample is non-random and selected purposively, with the following criteria: (1) Untar FEB students; (2) willing to fill in the questionnaire provided; (3) have made a purchase transaction via the internet.

### 3.3 Operationalization of Variables and Research Instruments

The research variables consist of one exogenous latent variable Online Shopping Ethics (OSE) and three endogenous latent variables: Trust (TRS), Repurchase Intention (RPI), and Loyalty (LYT). OSE variables consist of 4 questions coded OSE1-4. The TRS variable consists of 4 questions coded TRS1-4. The RPI variable consists of 4 questions coded RPI1-4. The LYT variable consists of 4 questions coded LYT1-4. All questionnaires were measured using a Likert scale with a score of 1 (strongly disagree) to 5 (strongly agree).

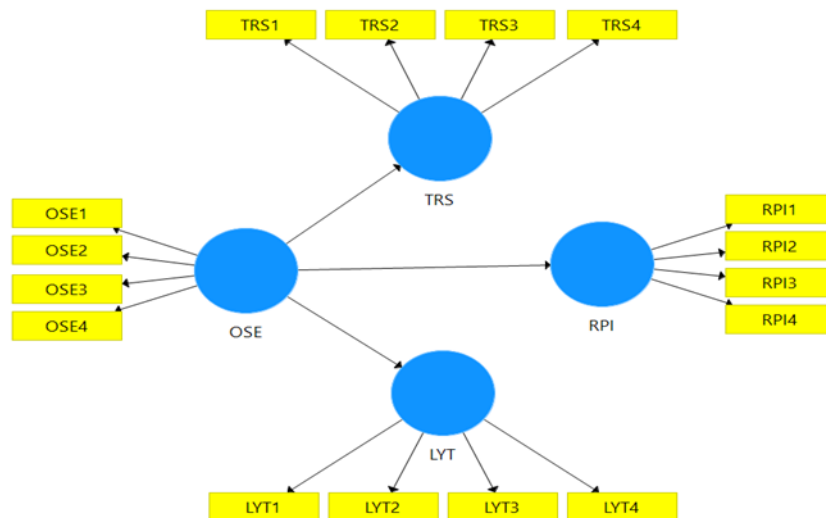
### 3.4. Data analysis

Data is processed using Smart PLS. A model in Smart PLS consists of a measurement model, or outer model and a structural model, or inner model. Testing the outer model aims to prove the validity and reliability of indicators and constructs. Inner model testing is intended to test  $R^2$ ,  $f^2$ , and the significance of the influence of exogenous variables on endogenous variables [31].

### 3.5 Research Model

The research model can be seen in Figure 1.

Figure 1. Research Model



Note: OSE=Online Shopping Ethics; RPI=Repurchase Intention; TRS=Trust; LYT=loyalty

## 4 Result and Discussion

#### 4.1 Description of Research Subjects

Descriptions of research subjects or respondents can be seen based on gender, study program, and frequency of shopping online. The description of research subjects or respondents based on gender revealed that the number of male respondents was 73 people, or 50%, while female respondents were 73 people or 50% of the total respondents who were 146 people (100%). According to the description of the respondents based on the study program, there were 12 respondents from the Bachelor of Management Study Program, or 8.2%, the Bachelor of Accounting Study Program were 18 people, or 12.3%, the Master of Accounting Study Program were 19 people, or 13.0%, the Master of Management Study Program was 46 people, or 31.5%, and the Accounting Profession Education Program as many as 51 people, or 34.9% of a total of 146 respondents (100%). Respondent profiles based on frequency, or how often students have shopped online, it is known that respondents who shopped only once were 19 people, or 13.0%, who shopped twice were 27 people, or 18.5%; those who shopped three times were 27 people, or 18.5%, those who shopped four times were 7 people, or 4.8%, and those who shopped more than four times were 66 people, or 45.2% of the total respondents of 146 people (100%).

#### 4.2 Measurement Model or Outer Model Test

Testing the outer model or measurement model aims to prove the validity and reliability of indicators and constructs. Testing is carried out in several ways, including by looking at the value of Loading Factor, Construct Reliability and Validity (Cronbach Alpha, Composite Reliability, Average Variance Extracted/AVE), and Discriminate Validity (Cross Loading).

**Table 1:** Loading Factor

Variabel	OSE	TRS	RPI	LYT
Indikator				
OSE1	0.860			
OSE2	0.752			
OSE3	0.799			
OSE4	0.713			
TRS1		0.752		
TRS2		0.681		
TRS3		0.685		
TRS4		0.669		
RPI1			0.771	
RPI2			0.841	
RPI3			0.810	
RPI4			0.682	
LYT1				0.873
LYT2				0.653
LYT3				0.831
LYT4				0.854

**Source:** processed data.

From Table 1, it can be seen that most of the loading factor indicator values are above the ideal value of 0.7, while some indicators are still below 0.7. Variable indicators that are still below 0.7 but above 0.6 are TRS2(0.681); TRS3(0.685); TRS4(0.669); RPI4(0.682), and LYT2(0.653). Referring to Chin's statement (1998) in Ghozali [31], where a loading factor value of 0.6 can still be considered sufficient, it can be concluded that all indicators in the measurement model are above the value of 0.6 so that it can be considered valid.

The results of the Construct Reliability and Validity test (Cronbach Alpha, Composite Reliability, Average Variance Extracted/AVE) can be seen in Table 2.

**Table 2: Construct Reliability and Validity**

Construct/ Variabel	Cronbach's Alpha	rho	Composite Reliability	AVE
OSE	0.789	0.809	0.863	0.613
TRS	0.650	0.657	0.791	0.487
RPI	0.780	0.782	0.859	0.606
LYT	0.826	0.888	0.881	0.652

Source: processed data

Ideally, a construct is considered reliable and valid if the Cronbach's Alpha and Composite Reliability values are above 0.7, while the AVE value is above 0.5 [30]. From the test results it is known that all constructs have an ideal value of Composite Reliability above 0.7. Cronbach's Alpha value of each construct is: OSE(0.789); TRS(0.650); RPI(0.780); LYT(0.826). Only the Trust construct whose Cronbach's Alpha value is still below the ideal value of 0.7, but still above 0.6. Referring to the views of Morera & Stokes [32] which says that a construct is considered reliable if the Cronbach's Alpha value is above 0.6, then all constructs in this study, including Trust considered reliable and valid. The AVE values of the OSE, TRS, RPI, and LYT constructs are 0.613, 0.487, 0.606, 0.652, where only the Trust construct has a value below 0.5. However, because the test results with Cronbach's Alpha and Composite Reliability have fulfilled the requirements, the results with the AVE test can be ignored.

Another way to test construct validity is to look at discriminant validity, namely by comparing the AVE square root value with the correlation value between constructs and other constructs. If the AVE square root value is greater than the correlation value of a construct with other constructs, then the construct's measurement model is considered valid. The results of the discriminant validity test can be seen in Table 3.

**Table 3: Discriminant Validity**

Konstruk	LYT	OSE	RPI	TRS
LYT	0.808			
OSE	0.538	0.783		
RPI	0.802	0.596	0.778	
TRS	0.579	0.658	0.565	0.698

Source: processed data

From Table 3, it can be seen that all AVE square root values for each construct (diagonal values) are already greater than the correlation of the construct with the other constructs, so it can be concluded that the construct is considered valid.

### 4.3 Inner Model

#### 1. Coefficient of Determination ( $R^2$ )

The test results of the coefficient of determination ( $R^2$ ) show that the value of the coefficient of determination ( $R^2$ ) of Trust is 0.434. This means that 43.4% of the variance of Trust can be explained by the variance of Online Shopping Ethics, while the remaining 56.6% is explained by the variance of other variables outside this research model. The coefficient of determination ( $R^2$ ) for Repurchase Intention is 0.351. This means that 35.1% of the Repurchase Intention variance can be explained by Online Shopping Ethics while the remaining 64.9% is explained by the variance of other variables outside this research model. The coefficient of determination ( $R^2$ ) of Loyalty is 0.285. This means that 28.5% of the Loyalty variance can be explained by Online Shopping Ethics, and the remaining 71.5% is explained by the variance of other variables outside this research model. The criteria for the degree of strength of R-Square [31] are: 0.67 strong; 0.33 moderate; 0.19 weak. With these criteria it can be concluded that the value of R-Square from Online Shopping Ethics to Loyalty is weak, while the R-Square from Online Shopping Ethics to Repurchase Intention and to Trust is moderate.

#### 2. Hypothesis Test

The results of testing hypotheses 1 to 3 can be seen in Table 4.

**Table 4:** Hypothesis Test (*Path Coefficients*)

Influence	Value	Explanation
OSE->TRS	$\beta = 0,658$	Positive
	p-value = 0.000	Significant
	$f^2 = 0,765$	Strong
OSE->RPI	$\beta = 0,596$	Positive
	p-value = 0.000	Significant
	$f^2 = 0,551$	Strong
OSE->LYT	$\beta = 0,538$	Positive
	p-value = 0.000	Significant
	$f^2 = 0,408$	Strong

Source: processed data

H1: Online Shopping Ethics (OSE) has a significant positive effect on Trust (TRS)

The test results show that the value of  $\beta$  OSE to TRS is positive at 0.658; p-value = 0.000;  $f^2 = 0.765$ . A positive  $\beta$  value means that there is a positive correlation between Online Shopping Ethics (OSE) and Trust (TRS). This means that for every 1 increase in OSE there will be an increase of 0.658 in Trust (TRS), and vice versa. The p-value is 0.000, indicating that it is still below the 0.05 criterion. This means that the Online Shopping Ethics (OSE) variable has a significant effect on the Trust (TRS) variable, so it can be concluded that H0: Online Shopping Ethics (OSE) has no significant positive

effect on Trust (TRS) is rejected, and H1: Online Shopping Ethics (OSE) significant positive effect on Trust (TRS) is accepted. The value of  $f^2 = 0.765$  is above 0.35 which means that the degree of influence is strong. The results of this study strengthen the results of previous research which, among others, were conducted by Saidi & Zinoubi[23]; Evanita, Trinanda, & Dwita [25], and Alam et al [26].

H2: Online Shopping Ethics (OSE) has a significant positive effect on Repurchase Intention (RPI)

The test results show that the  $\beta$  OSE value for RPI is positive at 0.596; p-value = 0.000;  $f^2 = 0.551$ . A positive  $\beta$  value means that there is a positive correlation between Online Shopping Ethics (OSE) and Repurchase Intention (RPI). This means that for every 1 increase in Online Shopping Ethics there will be an increase of 0.596 in Repurchase Intention (RPI), and vice versa. The p-value is 0.000, indicating that it is still below the 0.05 criterion. This means that the Online Shopping Ethics (OSE) variable has a significant effect on the Repurchase Intention (RPI) variable, so it can be concluded that H0: Online Shopping Ethics (OSE) has no significant effect on Repurchase Intention (RPI) is rejected, and H2: Online Shopping Ethics (OSE) ) has a significant positive effect on Repurchase Intention (RPI) is accepted. The value of  $f^2 = 0.658$  is above 0.35 which means that the degree of influence is strong. The results of this study strengthen the results of previous research which, among others, were conducted by Ghias, Ahmed, & Khan, [12]; Yuniarti, et.al [28]; Ahmed, Ali, & Top [1]; Yang, Ngo, & Thi Nguyen [24], and Agag [8].

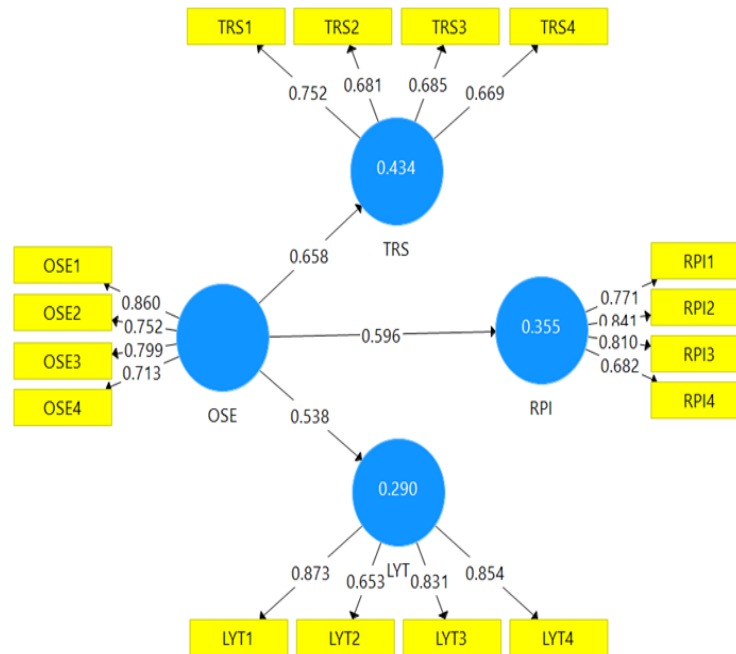
H3: Online Shopping Ethics (OSE) has a significant positive effect on Loyalty (LYT)

The test results showed that the  $\beta$  OSE value for LYT was positive at 0.538; p-value = 0.000;  $f^2 = 0.408$ . A positive  $\beta$  value means that there is a positive correlation between Online Shopping Ethics and Loyalty. This means that for every 1 increase in Online Shopping Ethics there will be an increase of 0.538 in Loyalty, and vice versa. The p-value is 0.000, indicating that it is still below the 0.05 criterion. This means that the Online Shopping Ethics variable has a significant effect on the Loyalty variable, so it can be concluded that H0: Online Shopping Ethics (OSE) has no significant effect on Loyalty (LYT) is rejected, and H3: Online Shopping Ethics (OSE) has a significant positive effect on Loyalty (LYT) ) accepted. The value of  $f^2 = 0.408$  is above 0.35 which means that the degree of influence is strong. The results of this study strengthen the results of previous studies which, among others, were conducted by Swami & Humbe [16]; Evanita, Trinanda, & Dwita [25]; Wong et al [19]; Choi & Mai [10], and Agag [8].

The results of this study, and several previous studies, increasingly convince us that the ethics of seller behavior in online shopping activities is vital in building trust, repurchase intention, and loyalty from their customers. Deontology Ethical Theory, Virtue Theory, or Commitment-Trust Theory can be used as a basis for building trusting relationships between sellers and their customers, especially in developing and maintaining the existence of online business activities in the long term.

The test results in the form of images can be seen in Figure 2.

**Figure 2: Results of Research Model**



Source: processed data

## 5. Conclusion

The test results in this study indicate that the direction and significance are in accordance with the three alternative hypotheses: H1: Online Shopping Ethics (OSE) has a significant positive effect on Trust (TRS), H2: Online Shopping Ethics (OSE) has a significant positive effect on Repurchase Intention (RPI), and H3: Online Shopping Ethics (OSE) has a significant positive effect on Loyalty (LYT). With the results of this study and some of the results of previous research, it should be able to make scientists, online retailers, and other related parties aware of how ethical behavior in online shopping activities is very vital in building trust, repurchase intention, and customer loyalty. Deontology Ethical Theory, Virtue Theory, or Commitment-Trust Theory can be the basis for building trusting relationships between sellers and their customers, especially in developing and maintaining the existence of online business activities in the long term.

This study has limitations, including those concerning the number, model, and type of variables studied, and the respondents selected were only Study Program students at the Faculty of Economics and Business, Tarumanagara University, Jakarta. Therefore, it is suggested for further research to increase the number and types of variables, and expand the respondents to include several study programs from various tertiary institutions so that the results can be more representative.

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