

# ENHANCING SELLER'S INTENTION TO TRADE IN E-MARKETS THROUGH NORMATIVE, EXPLICIT CONTRACT AND REPUTATION OF E-MARKET PLACE: MEDIATING ROLE OF SELLER TRUST ON BUYER

**Kalim Ullah, Xidian University  
Hira Batool, Walailak University**

## ABSTRACT

*The reason behind this research is to discuss various issues that reduce the sellers' intention to trade in online business contexts. The sellers' trust in buyers has been found as an effective driver of the intention to trade. The sellers have been inclined recently to use contracts as proof of transaction and dealing between themselves and buyers on the third-party e-market platforms. Increased trust in buyers was found to allow the promotion of sellers' intention to trade using the e-market platforms in the confines of Pakistan. This research paper is included in a larger project that has the aim of finding how the intention of sellers to trade can be increased in Pakistan. This study found that normative contracts imply negative effects over the sellers' trust and sellers' intention to trade but explicit contracts allow for increase in both these factors. The researcher collected data for this research from 302 online sellers by means of purposive sampling methods and the analysis was performed by the usage of PLS and the hypotheses were tested using SEM.*

**Keywords:** Normative Contract, Explicit Contract, Seller Trust, Seller Intention to Trade, Reputation of E-markets, Pakistan, B2B.

## INTRODUCTION

With the expansion of technology and the fast pace of internet usage, these traditional markets then got advanced as years passed by. With the evolution of technology, electronic markets (E-markets) were introduced which are linked by a network of modern time communication systems without asking people to come in a physical market (Patel et al., 2018). E-markets have introduced ubiquitous platforms for sellers and buyers where they can interact with each other at any point in time and that too without much conditionality. Rust & Kannan (2016) in their research found out that more and more businesses are now being set up online for the ease of businesses and people. They elaborated with their model as to how the financial world has made its scope in e-markets and how online trading has become one of the easiest and most used trading platforms and has ultimately changed the dynamics of trading and investment (Kurnia et al., 2015). These B2B e-markets are now considered to be the biggest online E-commerce around the world and are also in consideration in our country Pakistan. Although B2B

markets have achieved much attention and delivered many profits to the users of this market, yet many of the markets in e-commerce have failed especially in Pakistan. There have been many different instances where the buyers complained about their trust issues and argued that E-markets are not trustworthy or they do not trust their sellers. The trust issues have been a major problem in any business, either the seller does not trust the buyer or the buyer does not trust the seller (Sklaroff, 2017). This happens mainly because the E-markets are an online source where the sellers and buyers cannot meet up and judge their intentions or actions. If the trust issues are not resolved, then the E-markets may fail as there will be minimum trade of B2B transactions. This is the reason why many of the Pakistani E-markets were shut down because the buyers were being victimized of frauds or at some point in time, the sellers were being the victims of fraud (Sheikh et al., 2017). Many of the sellers' face issues of fraud when the buyers send them notes representing frauds. The adverse effect has been stroked by the merchants of E-markets as well as the payment gateways (Kasemsap, 2016). For the purpose of resolving this matter, people came up with the contracts on online platforms to be on the safer side. Researchers have explored and seen that most of the sellers now come up with normative and explicit contracts that become the official proof of the trade. Apart from the contracts, most of the researchers have also focused and proposed that if the sellers already indulge themselves in the trades of E-markets that have good reputations, then they will face fewer complications and will have lesser trust issues (Alsaad et al., 2017).

In the past, there has been much research on E-markets in the context of B2B and to see the cases of privacy and trust breach of buyers in B2B markets. Researchers like Aqeel and Asim (2019) have tried to cover up how to enhance the trustworthiness among the buyers of B2B E-markets. However, there has been minimal research on the trustworthiness in E-markets from the seller's perspective specifically in Pakistan. There has been previously no research to use the seller's trust on the buyer as a mediator to see the effect of normative and explicit contracts on the seller's trade intention. Therefore, this study focuses on how to enhance the trustworthiness among sellers by using contracts before the trade is proposed.

## **THEORETICAL RESEARCH BACKGROUND AND RESEARCH MODEL**

For covering up with the issue of theft, fraud, scams, etc., in E-markets, most of the sellers and buyers have come up with the notion of contracts before making any B2B transaction (Dai, Viken, Joo & Bente, 2018). To be on the safe side, many of the sellers and buyers get themselves into the markets that are reputable and have good impact on the society so that they try to refrain themselves from swindles (Baldenius, Glover & Xue, 2016). The literature of these contracts, reputation of the E-markets and trustworthiness of sellers have been searched upon in the previous decade to figure out how the traders can regain their trust in E-markets. While the existing literature has focused much on the trust issues for buyer's perspective in E-markets, this research stems from its approach to study from the seller's perspective for trade-in E-markets particularly in Pakistan.

### **Contract Theory**

The cross-sectional study explained that even when the buyer and sellers in B2B sign the contracts, they still remain in good relation with each other and the agreement did not affect their obligations towards each other (Lee et al., 2000). The normative and explicit contracts are related theoretically in this research to see the impact on the seller's intention to trade. The point proposed by Farrell et al. (2005) which should be noted here is that neither explicit contracts represent discrete transactions nor normative contracts represent relational exchanges.

### **Normative & Explicit contracts and Seller's Intention to Trade**

The normative contracts describe a normative behavioral commitment between both the parties that they have to follow a certain behavior for making trade decisions (Cialdini et al., 1991). That goes along way with the normative behavior theory that explains the agreements of parties that work in a platform or live in a society and have to be agreed upon some of the basic societal norms in an interactive way (Eleanora & Sari, 2019). The sellers perceive that an obligation is present and they have to comply and honor the covenants of the with contract, which in this case is the trade agreement between buyer and seller. Accordingly, the below supposition is as follows:

*H1: Normative contracts have a noteworthy effect on the seller's intention to trade.*

A research indicates that when the sellers and buyers have agreements which are in formal written form, longer in its duration, and in very much explicit terms, then the bond between seller and buyer becomes stronger and it initiates a repurchase and trade behavior between both the parties (Akhlaq et al., 2015). A contract or agreement existing in the material, form is binding and puts a legal and ethical obligation on the seller to comply with the covenants of the contract. Consequently, the second hypothesis of this research states that:

*H2: Explicit contracts significantly affect the seller's intention toward the trade.*

### **Reputation of E-Markets and Seller's Intention to Trade**

A study by Song & Wan (2017), as E-commerce is increasing day by day, the technology is making advancements by leap and fourth and so new websites are introduced every now and then. When there are different websites and allow all the traffic to get involved in the trade and business, they also get some rotten apples in the sea of their traffic relating to trades (Hopkins et al., 2019). The relative significance or the presence of less disreputable markets presents the seller with more opportunities to sell. Thus the presence of reputable and ethical markets or places of selling related directly with the intention to sell. Therefore, the third hypothesis relates to the reputation of E-market and the seller's intention for a trade-in that E-market:

*H3: Reputation of E-markets significantly affect the seller's intention toward the trade.*

### **Mediating Role of Seller's Trust on Buyer in Relationship of Normative Contracts and Seller's Intention to Trade**

Trust is a very necessary element as described in most of the relational and behavioral theories. Trust viewed differently in every context as the situation differs accordingly (Rust et al., 2016). Literature used trust as a mediator in their research explaining the possible consequences of trust in B2B E-commerce. The researcher found out a substantial mediating role of the trust, contracts, commitments, intentions, on the customer's perceptions of online trades and repurchase behavior (Aqeel et al., 2019). In Pakistan, there has been research-based on one famous E-market in Lahore stock exchange (LSE) showed that once there had been a case of fraud when a broker was faced with a fraud case and previously had no written explicit contracts for that trade online. The presence of a contract reinforces and strengthens the trust held in buyer by the seller. Hence, the need of contracts is basic as it develops trust and self-assurance in seller so as to proceed with the intentions of trade (Alsaad et al., 2017). For that reason, the researchers postulate that:

*H4: Seller's trust on buyer has a mediating influence on normative contracts and seller's intention to trade*

#### **Mediating Role of Seller's Trust on Buyer in Relationship of Explicit Contracts and Seller's Intention to Trade**

The two theoretical perspectives proposed by Dai et al. (2018) in their research states the debate revolving around trust and contracts and how the contracts can enhance any person's trust for a specific purpose. When people get into a transaction they are influenced by environmental variables, social as well as economic embeddedness. Apart from these variables, Lee et al. (2000) did research to see what can be an alternative to reinforce the relationship between buyer and sellers in E-markets as there is no physical interaction between the seller and the buyer, therefore, they concluded that the trust and contracts play a major role in building a good repurchase and trade pattern between both the parties and sellers gain trust by the official contracts. Trust between seller and buyer fosters better transactional processes and builds confidence in the seller to go for more trade and in the buyer to go for more purchase. Henceforth, the fifth hypothesis of this research is as follows:

*H5: Seller's trust on buyer has a mediating effect on explicit contracts and seller's intention to trade.*

#### **Mediating Role of Seller's Trust on Buyer in Relationship of Reputation of E-Market and Seller's Intention to Trade**

A seller's belief has been recognized as a core element in e-commerce (Song et al., 2017). Reputation in an E-marketplace as defined by Guo et al. (2018) is the indication of good traffic on the platform and a famous web site. When E-markets use branding and positioning for their platforms and for promoting their webs, they make a significant impact on the buyers and the sellers' perceptions for that web and E-market (Cialdini et al., 1991). When the sellers get into the trade businesses of the famous E-markets, they get the sense of trust among them that this E-market will have a good frame of users and when sellers get that trust on the buyers

(Hopkins et al., 2019). They make up their intentions to make the trade-in that particular E-market. Therefore, the last hypothesis of this research is as follows:

*H6: Seller's trust on buyer has a mediating effect on reputation of e-market and seller's intention to trade.*

## RESEARCH DESIGN

### Sampling & Hypothesis Testing

Researcher takes into account Pakistan as the population of the study for this proposed research study because Pakistan is struggling hard to implement information technology for shifting from home to heterogeneous E-Market, which offers billions of opportunities to local and also to foreign investors (Batoool et al., 2015). Due to well established global players in e-commerce, Pakistan not yet stands strong or parallel to these global players that's why it is mandatory to incorporate the best strategies such as rising entrepreneurial culture and stabilizing digital footprints for establishing the most promising e-market palace (Sheikh et al., 2017). For observing the impact of proposed variables, the researcher chooses the 4 e-commerce companies such as Daraz, amazon, eBay and OLX as the sampling frame of the study. Moreover, the researcher used purposive sampling technique for choosing the seller as respondents from these e-commerce companies because only sellers can entail that either normative contract, explicit contract, the reputability of e-marketplace, and seller trust on buyers influence their intention to trade or not (Adomako et al., 2017). Further, researcher distributes 560 questionnaires among respondents, out of which only 456 responded or filled the questionnaires. Out of 456, only 302 have been considered valid responses because rest of the responses have been discarded as incomplete and invalid, during data cleaning process.

Researcher conducts hypothesis testing in order to report that which hypothesis get approved or which gets rejected. Under PLS (SEM) approach, researcher got the values for analyzing proposed hypothesis. Afterwards, researcher reports the acceptance or rejection status of hypotheses, on the ground of hypothesis testing results (Hair et al., 2016; Sarstedt et al., 2016).

## RESULTS WITH INTERPRETATION

This study is performed in the context of Pakistan and data is collected from the sellers registered with 4 e-commerce companies, Daraz, amazon, eBay, and Olx, using respondents' response. The demographic analysis was performed by the researcher with the aim to analyze the demographics of the respondents. The variables for demographic details are gender, age, and education. The total sample of 302 respondents was distributed on a gender basis as 124 respondents or 41.1% males and 178 respondents or 58.9% females. On the educational front, a heavy percentage of these respondents are highly educated. About 48.7% of the sample had post-graduate degrees and 40% had master's degrees, making 88% of the sample having education higher than graduation level. As for the variable of age, the heaviest percentage of respondents lies in the age groups of thirty to forty, 39.1%, and forty to fifty, 35.4%.

Table 1 shows the output of convergent or composite reliability. CR is the alternative for Cronbach alpha ( $\alpha$ ) which is calculated for checking the reliability of the data. The value of

Cronbach alpha should be equivalent to 0.7 or greater than 0.7, in other words, we can say the threshold value of Cronbach alpha is  $\alpha \geq 0.7$  (Batool et al., 2015). Similarly, (AVE) is the measure of variance that is present in a relationship construct. For the convergent validity to hold, each variable should have AVE value above its threshold minimum which is 0.5 (Hair et al., 2016).

<b>Table 1</b>		
<b>RELIABILITY &amp; VALIDITY</b>		
<b>CR AVE</b>		
NC	0.756	0.528
SB	0.855	0.663
ST	0.884	0.717
RM	0.86	0.672
EC	0.898	0.746

Figure 1 shows results for factor analysis that is used for the reduction of redundant variables from the selected constructs. This test is used to find the association strength of individual items with themselves and with each other through the factor loading values. The items for each variable that have the strongest factor are considered to be the defining factor for that variable. The threshold value of reliability in factor analysis is 0.7. In Figure 1, it can be seen that all variables are above this threshold confirming the relevance of the variables in the current study. As for as the t-statistics are concerned in Figure 2, all the t values should be above 1.96, and the p-values should be all  $\leq 0.05$  for accepting proposed hypothesis (Hair et al., 2016). In Table 3, only explicit contracts are showing above the level t-values and also only explicit contracts have p values within a range. These results show that normative contracts and reputation of e-markets do not have any significant indirect or mediating effect on the seller's intention to trade using online third-party platforms, while explicit contracts have a significant indirect effect.

	<b>EC</b>	<b>NC</b>	<b>RM</b>	<b>SB</b>	<b>ST</b>
EC1	0.83				
EC2	0.925				
EC3	0.832				
NC1		0.601			
NC2		0.708			
NC3		0.742			
RM1			0.874		
RM2			0.838		
RM3			0.742		
SB1					0.809
SB2					0.804
SB3					0.817
ST1				0.878	
ST2				0.834	
ST3				0.824	

**FIGURE 1**  
**FACTORS LOADING**

	Sample	Sample Mean	Standard Deviation	T value	P value
Explicit Contract -> Seller Intention	0.067	0.069	0.039	1.975	0.044
Normative Contract -> Seller Intention	-0.061	-0.06	0.04	1.527	0.068
Reputation of E- Market -> Seller Intention	0.052	0.054	0.039	1.343	0.09

**FIGURE 2**  
**DIRECT PATHS**

It can be seen clearly in the Table 2 that all hypotheses have been accepted (indirect paths) but the hypothesis that says that normative contracts increase seller's intention to trade in a direct effect is insignificant. Explicit contract shows an indirect significant impact of 32% while explicit contract exerts mediating effect through seller trust on seller intention of 27.5%. This means that increasing one unit of explicit contract will increase intention by 32%. Normative contract has a negative significant effect of 25% on seller intention through the mediating effect of seller trust i.e. increasing the normative contract by one unit decreases trust which decreases intention by 25%. Reputation of e-market has a positive significant impact in both direct and mediating effects on the intention by 23 and 21 percent both. Seller trust has a direct impact on seller intention of 24%. SEM was executed via PLS in order conclude about the hypotheses.

Table 2					
INDIRECT PATHS					
	Sample	Mean	Standard Deviation	Value of t	Value of p
Explicit Contract -> Seller Intention	0.322	0.309	0.107	3.015	0.003
Explicit Contract -> Seller Trust	0.275	0.282	0.105	2.63	0.009
Normative Contract -> Seller Intention	0.102	0.082	0.126	0.809	0.419
Normative Contract -> Seller Trust	-0.25	-0.246	0.126	1.98	0.049
Reputation_EMarket -> Seller Intention	0.232	0.227	0.101	2.309	0.022
Reputation_EMarket -> Seller Trust	0.212	0.214	0.115	1.97	0.047
Seller Trust -> Seller Intention	0.244	0.245	0.093	2.615	0.009

## DISCUSSION

In present research, authors have analyzed the direct effect of normative plus explicit contracts and the reputation of e-market on the sellers' intention to trade as well as seller's trust on buyer as a mediator to see the effect of all these variables on the seller's trade intention (Kurnia et al., 2015). So as to investigate the outcome of proposed dimensions with respect to sellers' intention to trade, the present researchers proposed six hypotheses that were investigated through various statistical techniques (Kasemsap, 2016). The primary hypothesis stated that

normative contracts have a noteworthy effect on seller's intention to trade. The results of the present study rejected the hypothesis, confirming the results of (Alsaad et al., 2017). The second hypothesis mentioned that explicit contracts have a substantial effect on seller's intention to trade. As per the previously mentioned outcomes this speculation was accepted. Results reported that explicit contract possesses a constructive bonding with sellers' intention to trade (Rust et al., 2016). The third hypothesis proposed that the reputation of e-markets has a potential effect on the sellers' trade intentions. This hypothesis was rejected as results showed that direct influence between these variables was not significant (Lee et al., 2000). The next three hypotheses mentioned that there is a significant mediating role of sellers' trust in buyers between normative contract, explicit contract, reputation of e-market and seller intention toward trade. All of these hypotheses were accepted and the mediator was found to be effective in enhancing the impacts of independent variables over the sellers' trade intentions (Alsaad et al., 2017). The sellers' trust in buyers is the driving force behind the sellers' intention to trade. If the sellers have a low level of trust in the buyers that they are conducting their trade with, the sellers will feel vulnerable, insecure and reduced trading trends will be seen from the sellers (Dai et al., 2018). The types of contracts that the sellers have with the platforms and with the buyers and the reputation of the e-market, in general, and the platform being used, in specific, have varying impacts on the sellers' trading trends (Kasemsap, 2016).

## CONCLUSION

The research can conclude in a way that normative contracts usually reduce while explicit contracts increase the sellers' trade intention. Moreover, the reputation variables do not have a direct but have an indirect impact, through seller trust, over sellers' intention to trade.

## ACKNOWLEDGEMENT

Hira Batool from Walailak University is the Corresponding author to this paper.

## REFERENCES

- Alsaad, A., Mohamad, R., & Ismail, N.A. (2017). The moderating role of trust in business to business electronic commerce (B2B EC) adoption. *Computers in Human Behavior*, 68, 157-169.
- Aqeel, A., & Asim, M. (2019). Factors influencing e-procurement practice in Pakistan. *Business Management and Strategy*, 10(2), 1-26.
- Akhlaq, A., & Ahmed, E. (2015) Digital commerce in emerging economies: Factors associated with online shopping intentions in Pakistan. *International Journal of Emerging Markets*, 10(4), 634-647
- Adomako, S., Opoku, R.A., & Frimpong, K. (2017). The moderating influence of competitive intensity on the relationship between CEOs' regulatory foci and SME internationalization. *Journal of International Management*, 23(3), 268-278.
- Batool, H., Rasheed, H., Malik, M.I., & Hussain, S. (2015). Application of partial least square in predicting e-entrepreneurial intention among business students: evidence from Pakistan. *Journal of Innovation and Entrepreneurship*, 4(1), 6.
- Baldenius, T., Glover, J., & Xue, H. (2016). Relational contracts with and between agents. *Journal of Accounting and Economics*, 61(3), 369-390.

- Cialdini, R.B., Kallgren, C.A., & Reno, R.R. (1991). A focus theory of normative conduct: A theoretical refinement and reevaluation of the role of norms in human behavior. *In Advances in experimental social psychology* (Vol. 24, pp. 201-234). Academic Press.
- Casaló, L.V., Flavián, C., & Guinalú, M. (2008). Promoting consumer's participation in virtual brand communities: A new paradigm in branding strategy. *Journal of marketing Communications*, 14(1), 19-36.
- Dai, Y.N., Viken, G., Joo, E., & Bente, G. (2018). Risk assessment in e-commerce: How sellers' photos, reputation scores, and the stake of a transaction influence buyers' purchase behavior and information processing. *Computers in Human Behavior*, 84, 342-351.
- Eleanora, F.N., & Sari, A. (2019). Good selling buying agreement and legal protection for sellers. *Lentera Hukum*, 6(1), 133-140.
- Farrell, A.D., Sergot, M.J., Sallé, M., & Bartolini, C. (2005). Using the event calculus for tracking the normative state of contracts. *International Journal of Cooperative Information Systems*, 14(23), 99-129.
- Guo, Y., Bao, Y., Stuart, B.J., & Le-Nguyen, K. (2018). To sell or not to sell: Exploring sellers' trust and risk of chargeback fraud in cross-border electronic commerce. *Information Systems Journal*, 28(2), 359-383.
- Gefen, D. (2000). E-commerce: the role of familiarity and trust. *Omega*, 28(6), 725-737.
- Hopkins, J., Kafali, Ö., Alrayes, B., & Stathis, K. (2019). Pirasa: strategic protocol selection for e-commerce agents. *Electronic Markets*, 29(2), 239-252.
- Hair Jr, J.F., Hult, G.T.M., Ringle, C., & Sarstedt, M. (2016). A primer on partial least squares structural equation modeling (PLS-SEM). Sage publications.
- Juutilainen, S.A., Jeffrey, M., & Stewart, S. (2020). Methodology Matters: Designing a Pilot Study Guided by Indigenous Epistemologies. *Human Biology*, 91(3), 141-151.
- Kasemsap, K. (2016). Advocating electronic business and electronic commerce in the global marketplace. *In E-retailing challenges and opportunities in the global marketplace* (1-24). IGI Global.
- Kurnia, S., Karnali, R.J., & Rahim, M.M. (2015). A qualitative study of business-to-business electronic commerce adoption within the Indonesian grocery industry: A multi-theory perspective. *Information & Management*, 52(4), 518-536.
- Lee, C., Tinsley, C.H., & Chen, G.Z.X. (2000). Psychological and normative contracts of work group members in the United States and Hong Kong. *Psychological contracts in employment: Cross-national perspectives*, 87-103.
- Lusch, R.F., & Brown, J.R. (1996). Interdependency, contracting, and relational behavior in marketing channels. *Journal of marketing*, 60(4), 19-38.
- McKnight, D.H., Choudhury, V., & Kacmar, C. (2002). Developing and validating trust measures for e-commerce: An integrative typology. *Information systems research*, 13(3), 334-359.
- McKnight, D.H., Cummings, L.L., & Chervany, N.L. (1998). Initial trust formation in new organizational relationships. *Academy of Management review*, 23(3), 473-490.
- Patel, D., Goyal, S., & Agarwal, R. (2018). E-Commerce Business Model. *In Improving E-Commerce Web Applications Through Business Intelligence Techniques* (110-129). IGI Global.
- Rust, R.T., & Kannan, P.K. (2016). *E-Service: New directions in theory and practice: New Directions in Theory and Practice*. Routledge.
- Sklaroff, J.M. (2017). Smart contracts and the cost of inflexibility. *U. Pa. L. Rev.*, 166, 263.
- Sheikh, A.A., Shahzad, A., & Ishaq, A.K. (2017). The growth of e-marketing in business-to-business industry and its effect on the performance of businesses in Pakistan: Marketing success. *International and Multidisciplinary Journal of Social Sciences*, 6(2), 178-214.
- Song, W.L., & Wan, K.M. (2017). Explicit employment contracts and CEO compensation. *Journal of Corporate Finance*, 44, 540-560.
- Sarstedt, M., Hair, J.F., Ringle, C.M., Thiele, K.O., & Gudergan, S.P. (2016). Estimation issues with PLS and CBSEM: Where the bias lies!. *Journal of Business Research*, 69(10), 3998-4010.