Government regulations and online shopping behaviour: an exploratory study on Egyptian online shopping consumers

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Abstract
E-commerce is undergoing significant growth worldwide. As e-commerce grows, it becomes vital to understand the diverse online consumers and to give more attention to their online shopping behaviour. Previous studies imply that online consumers vary; preferences and behaviours of online consumers in developed countries differ significantly than those in developing ones.

This study is a part of the exploratory, hypotheses-raising phase of a PhD research looking at factors affecting Egyptian consumers’ online buying behaviour. While there is some evidence of differences in e-commerce adoption across nations, it is unclear whether these can be related to established government regulations and the degree to which government regulations can impact online purchase decision. There is a shortage in literature investigating this phenomenon especially for the Egyptian culture, considered in this research. This paper investigates factors affecting online consumer behaviour and explores the specific experiences of Egyptian online consumers through the qualitative textual analysis of fifteen reported Anecdotal evidences.

In conclusion, it reveals some of the salient factors affecting the online shopping experience for the selected cultural group, such as the lack of clear government regulations and the need for government support and control. Finally, a conceptual framework is proposed for future research.

1. Introduction
Most nations of the world have recently suffered from economic deterioration, high job losses, increases in public debt, decreases in economic activity and failures to stimulate economic growth. Meanwhile, one of the substantial areas of growth has been e-commerce (Lloyd, 2012). As e-commerce grows, it becomes vital that vendors understand the diverse online consumers and pay more attention to their online shopping behaviour. It is important to identify who is using the Internet to shop, who does not shop, and why.

Online consumers vary from country to country. Their preferences and behaviours are significantly influenced by their culture (Gong, 2009). Egypt with a population of about 81.08 million people has 12.47 million Internet users (Arab Advisors, 2012), 22.4% of which purchase online (Arab Advisors, 2012). On the other hand, the UK with a population of 50.67 million people has about 43.6 million Internet users (Office for National Statistics, 2013). 82% of UK Internet users purchase online (Eurostat, 2013). Comparatively, in some countries online shopping is a prerequisite to everyday life, whereas in other places online shopping is a tool of luxury. In Egypt, given that the Internet is used merely by 15% of the population, only a few
find the need to shop online. The increasing number of Internet users in Egypt is reshaping the Egyptian economy, and promising future economic growth. Egypt’s Internet economy represents £15.6 billion or 1.1 per cent of the country’s 2011 GDP. The Internet’s contribution to GDP is projected to rise significantly to reach £52 billion by 2017, or 1.6 per cent of GDP (The Boston Consulting Group, 2012). It is therefore important to know the reasons why Egyptian consumers are reluctant to the idea of online shopping and the factors that affect their online shopping behaviour.

Despite of the Egyptian government’s efforts to develop the infrastructure required to encourage and improve the virtual marketplace, e-commerce in Egypt is still in its infancy (Boston Consulting Group, 2012). Government initiatives over the past couple of decades to develop the national information and telecommunications infrastructure in Egypt, with an objective to accelerate development and economic growth by endorsing electronic dissemination of information, establishing information highways in key segments of the economy, contributing towards a extensive access to information, supporting the development of secure online databases, and training people to create the national information highway, remain short of providing an efficient institutional infrastructure that is proficient of handling the promotion, governance and dispersion of e-commerce (Ghoneim, Ghoneim & Kamel, 2004).

This paper aims to identify the most salient factors that influence consumers’ online buying behaviour in Egypt. Egypt is an interesting case to study in this context due to several reasons. As an example of an Arab country, it represents a cultural group that has typically been ignored in previous studies of consumer behaviour in e-commerce. Egypt is considered a leader in the Middle East, Africa and the Arab world in terms of number of Internet users. However, little is currently known about the factors that affect online purchasing within this culture.

2. Literature Review

The number of Internet users worldwide increases daily. Yet, only a small percentage of those who use the Internet actually make a purchase online (Taylor Nelson Sofres Group, 2002). The information society represents both a challenge and an opportunity for the developing world. It has the potential to be socially beneficial in issues related to economic growth, education and business development. Therefore, the effect of the Internet should be measured less in terms of sheer numbers of connected people and more in terms of contribution to socio-economic progress (Kamel and Hussein, 2002).

E-commerce in Egypt

Though uptake of the Internet is rapidly increasing in Egypt, achieving widespread adoption of e-commerce is perceived as challenging (Mohsen, 2005). Most attempts at establishing e-commerce in Egypt have been limited and directed mainly to the local market (El Said, 2005). E-commerce represents a remarkable challenge and at the same time, a great opportunity for growth and development and hence, in the case of a developing country like Egypt, it requires an institutional role to regulate it.

The Egyptian government deems that the e-commerce should not be given any special treatment as opposed to conventional commerce (Kamel and Hussein, 2002). Ismail and El-Nawawy (2000) suggest that the Egyptian government needs to look into the means for reduction of general and specific costs associated with e-commerce, including taxes and custom duties to encourage people to engage in e-commerce activities.

It is also important to note that the difficulties surrounding e-commerce in Egypt include barriers other than legal ones. For instance, culture is reported as one of the main obstacles to the implementation of e-commerce in Egypt and the Arab culture in general (Nathan, 2009). In their
study, Loch, Straub, and Kamel (2003) examined cultural specific inducements and impediments to using the Internet in the Arab world. They used a questionnaire filled out by 100 Arab Internet users, among whom 85 were Egyptians. The findings implied that the high collectivism representing this culture could be a barrier to engaging in online shopping in Arab countries, where people are characterised with a high social and family oriented nature (Hofstede, 1991).

Moreover, the absence of a credit-card community contributes to the obstacles that hinder e-commerce in Egypt. Since credit cards happen to be the primary method of transacting over the Internet, there is an evident need for allowing for alternate payment methods to complement the use of the fairly limited credit cards in the Egyptian cash-based society (Nathan, 2009). Cash on delivery for example is another payment method that is better suited for online consumers’ requirements in Egypt. Additionally, banks have issued Internet pre-paid cards in an attempt to encourage consumers to engage in online shopping and to limit the risk to the amount deposited in the card (Kamel and Hussein, 2002).

**Government Role and E-commerce Adoption**

Building trust in the virtual environment should be priority number one to governments, especially in developing countries. Consumers in the Arab world seem not to trust this type of business though not because of ignorance but because of the absence of a clear regulatory system (AlGhamdi et al., 2011). Among the major elements of consumer trust in e-commerce is institutional trust, which refers to consumers’ perceptions about the Internet environment, including legal and technical protection, security and privacy, and trustworthiness of third party service providers such as credit card payment facilities and banks (Cheung and Lee, 2006). As e-commerce grows across national borders the need for a regulatory framework at both, the national and the international level is becoming a basic requirement (Ghoneim et al., 2004).

Lack of telecommunications infrastructure and education, lack of skilled professionals to support e-commerce activities, low incomes, low computer availability, low Internet and credit card penetration, and insufficient delivery systems are widely mentioned as the major hindrances of e-commerce in the developing world (Hawk, 2004). Moreover, complicated and unclear business rules represent one of the most prominent obstacles that hinder the adoption of e-commerce in these countries (Ismail and El-Nawawy, 2000).

The importance of a strong regulatory framework and clear national legislative policies in the e-commerce context, has been supported in previous studies confirming that consumers, who have little legal recourse if online transactions go wrong, would be unwilling to abandon conventional commerce and go online (Martinsons, 2002). Hence, an immature legal system appears to be one of the inhibitors for online purchasing (Venkatesh et al., 2003; Ou et al., 2007). Similar studies in the Kingdom of Saudi Arabia have emphasized that the lack of clear regulations and legislation and the need of government supervision and support are key issues influencing e-commerce behaviour (AlGhamdi et al., 2011; AlGhamdi and Drew, 2011).

**Trust and E-commerce Adoption**

Numerous studies have confirmed that consumers’ lack of trust is a significant deterrent to the adoption of e-commerce (Shankar et al., 2002). Trust beliefs are triggered in perceived uncertain, risky, or vulnerable situations, such as transacting online (Schlosser et al., 2006). Online trust beliefs must be adequately positive to overcome perceived online uncertainty, risk, and vulnerability. Otherwise, perceptions about the product’s reliability, the vendor’s and the Internet’s ability to securely handle personal and financial information, may inhibit consumers from shopping online (Mukherjee and Nath, 2007).

A deeper understanding of the factors that affect online trust can help to identify important online trust antecedents, allocate resources to trust development, consequently
increasing actual online shopping (Shankar et al., 2002). According to George (2004), trusting beliefs are associated with positive attitudes toward online purchasing, positive online consumers’ purchase intention (Jarvenpaa et al., 2000; Grabner-Kräuter and Kaluscha, 2003; Behjati and Othaman, 2012) and actual purchasing behaviour (George, 2004; Lim et al., 2006). Pavlou and Chai (2002), using a TPB model, found that trust is significantly correlated with attitudes toward online transactions and with perceived behavioural control.

Researchers argue that trust is culturally sensitive, claiming that people from different cultures have different perceptions of trust (Jarvenpaa et al., 2000; Gefen and Heart, 2006). The most significant cultural variables that are used to study the effect of online trust-building strategies across cultures are collectivism versus individualism (Sia et al., 2009) and uncertainty avoidance (El Said, 2005; Gong, 2009).

3. Methodology

This paper serves as a part of the exploratory, hypotheses-raising phase of a PhD research looking at factors affecting Egyptian consumers’ online buying behaviour. The exploratory phase starts with an investigation process, in which an overall understanding of the phenomenon is acquired through literature review and exploratory studies. This exploratory study investigates factors affecting online consumer behaviour. It explores the specific experiences of Egyptian online consumers through the qualitative textual analysis of fifteen reported anecdotal evidences. Based on the findings of the exploratory studies, research constructs are identified, hypotheses are generated and the hypothetical model is designed. There are a number of methods that are suitable for use during the exploratory stages of research. Methods such as interviews and focus groups remain popular but rely upon participants being able to explicitly verbalize their views. Participants’ responses are also likely to be biased because of social desirability effects. Such problems have led to an interest in alternative, “contrived” methods of knowledge acquisition (Shadbolt and Burto, 1990). Anecdotal evidence is an example of such an approach. An anecdote is defined as a short amusing or interesting story about a real incident or person (Oxford Dictionary).

Due to the lack of in depth research available on the subject, the use of the standard scientific evidence is not sufficient to understand the purpose of this study. Hence, anecdotes from people in different networks have been used as primary sources to this study. As opposed to the other types of evidence, anecdotal evidence cannot be generalized but it can pave the way for further research. The study of anecdotes and real-life stories shared by the social actors is actually more meaningful and gives more insight into their culture than establishing mere facts (Jemielniak and Krzyworzeka, 2012). Nonetheless, the information gathered through anecdotal evidence illuminates the obstacles to online shopping in Egypt and provides a complete and useful understanding of the subject at hand.

Whenever the researcher encountered someone (at work, at the gym, in family gatherings), talking about their experiences with online shopping in Egypt; reflecting their concerns, fears and motives to engage in online shopping, they were asked to write these experiences down and hand them in or e-mail them to the researcher for a deep analytical investigation. Fifteen anecdotes have been collected and analysed and themes have been extracted that helped in forming a stream of consciousness about the topic under study and detecting some obstacles to the adoption of e-commerce in Egypt. The sampling method used for gathering the anecdotal data is based on a non-probability convenience sampling technique. The convenience sampling enables the researcher to select a number of cases whose size depends mainly of participants’ availability and the ease of data collection. It consists of groups
of individuals who are easily accessible to the researcher. The advantage of this method is that it enables the researcher to improvise with the resource available for the research.

4. Findings

A total of fifteen participants, representing different demographic backgrounds (age, gender, marital status, and profession) contributed to the anecdotes. The anecdotes have yielded a more reality-based standpoint of the respondents. To gain further understanding and insight on the research topic, narrative analysis has been used. Initial coding has been used. Further coding has been done to realize the prevalent themes in the anecdotes and to extract related quotes. Table 1 illustrates the demographic comparison among the participants.

<table>
<thead>
<tr>
<th>Participant</th>
<th>Gender</th>
<th>Age Group</th>
<th>Marital Status</th>
<th>Profession</th>
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<tr>
<td>Participant 1</td>
<td>Female</td>
<td>25 - 35</td>
<td>Married</td>
<td>Academic</td>
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<tr>
<td>Participant 2</td>
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<td>25 - 35</td>
<td>Single</td>
<td>Marketer</td>
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<td>Participant 3</td>
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<td>18 - 25</td>
<td>Single</td>
<td>Editor</td>
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<td>Participant 4</td>
<td>Female</td>
<td>25 - 35</td>
<td>Married</td>
<td>Banker</td>
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<td>Participant 5</td>
<td>Male</td>
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<td>Married</td>
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<td>Married</td>
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<td>Participant 11</td>
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<td>25 - 35</td>
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<td>Participant 15</td>
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<td>35 - 45</td>
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<td>E-store Owner</td>
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Table 1: Participants Demographics

An evident finding lies in the fact that all fifteen participants have associated their reluctance to online shopping in Egypt to government-related factors; either lack of clear government rules and regulations, problems with the customs authority, or unpredictable customs amount. They have elaborated on the absence of a clear regulatory framework, complained about the random haphazard system upon which customs are calculated, and have criticized the inability of the Egyptian customs authority to handle the received shipments. Quotes supporting these findings include:

“I’ve been doing this shopping online and shipping to Egypt for 8 years now and I still can't figure out how customs are calculated.”

“…the absence of a strong platform and an entity to protect your rights if things happen to go wrong.”

“The reason is that there are no fixed customs, some people don’t pay customs on a certain item and others pay double the price on the same item and it is not guaranteed that the order will arrive.”

“However, the Egyptian custom duty system is still one of the biggest if not the only aspect that makes this experience a not so perfect one.”

Seven out of fifteen respondents have related their reluctance to shop online in Egypt to cultural factors. Cultural factors pertained in the analysis include uncertainty avoidance and collectivism. Respondents have declared their hesitancy to engage in something that is unknown
to them or that entails uncertain outcomes. Furthermore, some have agreed that online shopping in Egypt is perceived as a risky endeavour. Moreover, others associated their reluctance to online shopping in Egypt to the negative feedback they hear from others who have tried to shop online before. Quotes supporting the high uncertainty avoidance in the Egyptian culture include:

“Nonetheless, it is on very rare occasions that I would venture and actually purchase clothing or shoes online.”
“I never ship to Egypt due to my fear of the unpredictable amount that I have to pay every time I order something.”
“All my friends preached about the difficulty of shipping unwanted clothing back to the vendor.”

Seven out of fifteen respondents have linked their negative attitude towards online shopping in Egypt to logistics-related factors, including shipment handling, shipping time and general problems related to the shipping company. They have stated problems like high shipping fees to Egypt as well as bad handling and storage of the shipments. Follows are quotes confirming these findings:

“The order was placed three weeks prior to the birthday, but the shipment did not arrive on time.”
“The items arrived extremely late and the taxes on the shipment were very high.”
“Either, the goods were held at customs, or the disks delivered were cracked, and sometimes the books looked like they just came out of a dog’s mouth, so we eventually stopped.”

Five out of fifteen participants have declared that the reasons why they do not shop online in Egypt are related to the websites they intend to buy from. Website-related factors include the problems of websites not shipping to Egypt and websites not accepting Egyptian credit cards. Supporting quotes include:

“Another time, I wanted to purchase a book but unfortunately, the e-store did not ship overseas to Egypt.”
“First of all, the hassle that comes with Egyptian credit cards not always working and then they start working after you had given up.”

Five out of fifteen participants have mentioned trust as a significant barrier to their adoption to online shopping in Egypt. They claim that doing business in the virtual environment especially in Egypt cannot be trusted. Moreover they do not trust the provision of financial information online. Quotes confirming these findings include:

“What I personally feel is hindering online shopping in Egypt is the lack of trust and reliability.”
“I have never tried shipping to Egypt nor have tried using my credit card in Egyptian websites.”
“My reluctant attitude towards buying goods online in Egypt is the fear of not getting my goods in the first place, due to circumstances that are out of the websites’ hands.”

One out of fifteen participants referred to a personal preference of visiting physical stores as the reason for not engaging in online shopping. There’s one quote that supports this finding:

“Call me paranoid, but even while living in New York, home to the convenient benefits of online shopping, I still enjoyed and relished the opportunity to physically make a trip and buy something I wanted.”

Another interesting finding is that five out of fifteen participants mentioned that they shop online in Egypt using their Egyptian credit cards but send the shipment to another country to avoid the unpredictable amount they have to pay as customs duties. Quotes supporting these
The findings include:

“But I’d send it to a friend living abroad who would bring my order to Egypt on their next visit.”

“This habit has grew especially after DHL and Aramex have offered the service where you can ship to the United States or the United Kingdom by paying for an application that gives you a mailbox number for accurate delivery.”

The findings of this study indicate a number of factors that affect consumers’ online shopping behaviour and inhibit the development of e-commerce in Egypt. Table 2 provides a summary of the reasons for Egyptians’ reluctance to online shopping.

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<tr>
<th>Experiences</th>
<th>Cultural Factors</th>
<th>Logistics-Related Factors</th>
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Table 2: Reasons for Egyptians’ Reluctance to Shop Online in Egypt

To sum up the findings of this study, the most prominent factors hindering online shopping behaviour in Egypt are found to be government-related. The unpredictable customs duties represent the most significant barrier to the adoption of online shopping in Egypt. Furthermore, the findings tend to provide evidence that consumers’ lack of trust in the government and its ability to regulate and protect e-commerce transactions obstructs online shopping behaviour. The anecdotes reveal that despite the reluctance of many Egyptian consumers to use their credit cards online, some of them agree to pay using their credit cards for online orders that are shipped to any country other than Egypt, in order to prevent the unexplained high customs duties. Moreover, the anecdotes indicate that problems hindering online shopping in Egypt are mostly related to shopping online from international e-stores.
located elsewhere in the world, whereas shopping online from e-stores located within Egypt seems to be almost problem-free. Additionally, respondents imply that the existence of a reliable framework of clear rules and regulations that governs e-commerce would encourage them to engage in online shopping.

5. Discussion and Conclusion

This paper sought to explore the factors affecting Egyptian consumers’ online buying behaviour. Due to the absence of profound research on the subject, anecdotal evidence has been used as the primary source to this study.

The major findings of the analysed data lead to a conclusion that e-commerce regulations, legislations and rules to protect the rights of all parties involved in e-commerce transactions remain unaddressed in Egypt and that Egyptian government leadership to promote e-commerce development seems to be sorely missing. This study manifests that online shopping behaviour can be significantly improved in Egypt, if consumers are provided with a strong profound regulatory platform that manages and controls e-commerce.

This exploratory study finds that cultural variables such as uncertainty avoidance and collectivism are significant deterrents to online shopping in Egypt. This is understandable and concurs with previous studies on the Egyptian culture. To Hofstede (1991), Egypt represents a high uncertainty avoidance culture, where uncertainty is a continuous threat that must be fought. The Egyptian culture is a risk evading one and strongly resists ambiguity. Furthermore, Hofstede characterizes the Egyptian culture as a collectivistic one, where people favour to make group-based decisions and tend to place greater importance on, and react in compliance to, the opinions of in-group members. Other issues such as logistics-related factors, website-related factors, trust and personal preferences are also found to hinder online shopping in Egypt.

6. Research Limitations and Direction for Further Research

Despite sampling limitations, as a bigger sample would have made the findings more significant and more generalizable, this study has made substantial contributions in highlighting salient factors that affect online shopping behaviour of Egyptian consumers.

Drawing from prominent findings of this exploratory study as well as findings of recent research on electronic consumer behaviour and trust theories, this study proposes a conceptual framework for further investigation. Figure 1 demonstrates the proposed conceptual framework.

Figure 1: Proposed Conceptual Framework

This proposed conceptual framework could improve the understanding of the degree to which government regulations can impact online purchase decision, and significantly add to the existing literature. The findings of this study serve as a part of the exploratory, hypotheses-raising phase of a PhD, and set the stage for the next exploratory study aiming to better understand this phenomenon and enrich the relevant theories. Moreover, they provide useful insights for further research in the field of cultural e-commerce studies.

Despite the importance to find out about e-commerce in the context of developed countries, it is worth noticing that e-commerce also impacts developing countries and that there
is a huge growth in the Internet usage in these countries. Egypt, as an example of an Arab country; represents a cultural group that has typically been ignored in previous studies of consumer behaviour in e-commerce. Little is currently known about the factors that affect online purchasing behaviour within this culture. It is foreseen that Egypt’s Internet economy now has the potential with sufficient continued investment, regulatory reform, and increased business adoption, to emerge from its nascent phase into a prosperous consumption-fuelled economic sector boosting economic growth and providing social benefits to the country as a whole.

Due to the aforementioned reasons, it is crucial to study consumer behaviour of Egyptian online consumers, as well as their attitudes toward online shopping. It is also imperative to examine the impact of the institutional role of the government on online trust, as online trust has been proven to positively influence online shopping intentions and behaviours (Jarvenpaa et al., 2000; Lim et al., 2006). Future research on culture, trust and the role of the government in the e-commerce context is essential in order to obtain a thorough understanding of this phenomenon.

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