



## FACTORS AFFECTING CLIENT TRUST IN ONLINE BANKING - A CASE STUDY OF SAMAN BANK

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**Abstract-** This study aimed to determine factors affecting client trust in the context of online banking. We planned to examine the effect of variables; security, privacy, usability, and reputation, perceived by customers, on client trust in online banking. Since commitment has a critical role in establishing long term relations, we include association between trust and commitment in the context of online banking.

According to objective, this research is applied and is descriptive-survey on the basis of data gathering method. We surveyed 130 customers of Saman bank and analyzed gathered data with descriptive and inferential statistics regard to factors that affect client trust in online banking.

Consequently, we showed direct and significant association between trust and variables such as security, privacy, usability, and reputation. Moreover, we found out that the association between trust and commitment of clients is direct and confirmed at 95% significance. Finally, we showed that we could consider trust as a mediator or intervening variable to promote affective commitment of the clients of the context of online banking.

**Key words-** Security, Privacy, Trust, Commitment, Online Banking.

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### Introduction

No doubt, the Internet revolutionized the communication system of the world. The banking industry joined to this global network like the others. On the other hand, globalization, the large number of competitors, and the banks' constant struggle to offer something different in their services to distinguish them from the rest, have led them to explore alternative channels such as the Internet. The Internet, therefore, has become a distribution channel that is used by almost all banks in the developed world, in which they offer traditional services as well as services that enable them to show that the Internet is an alternative and convenient channel for their clients.

Banks began to use Internet as a distribution channel in 1994, but there were just 24 banks on Internet until Jan, 1995. This trend developed and resulted in generalization of Internet banking up to

now.

The advent of the Internet has a significant impact on banking service that is traditionally offered by the branches to the customers. With the help of the Internet, customers can do their banking any-time and anywhere as long as Internet access is available. This new type of service has been called "online banking" or "Internet banking." It can be defined as performing financial transactions over the Internet through a bank's website. Customers are not the only beneficiary of this new service. Making use of online banking, commercial banks may greatly increase the market coverage and better track customers as well.

In summary, online banking services include five categories: Viewing money transfer reports, paying bills, transferring money between accounts, requesting credit for credit cards, and etc.

Internet banking becomes attractive for clients, because they can

transact everywhere and every time faster and cheaper than traditional banking. Internet banking has attractiveness to banks due to efficiency and service quality. As many of traditional banks assign part of their resources to free minor financial transactions, Internet banking can set these resources free to boost productivity. Many research presents that online banking services earn bigger profit than the other sections of banks (Abedi, A, 2009).

Despite all these efforts and advantages, the number of clients who operate through Internet has not increased as much as expected. In fact, previous research shows that the reason that people do not operate through the Net is due the lack of differentiation of the companies, distrust in the system, impersonal treatment, a perceived lack of security, and because of the scant knowledge that consumers have of benefit provided by this new channel. Moreover, incessant reports on hacker and virus attacks besides and lack of comprehensive legal framework result in Internet clients confront continuous risks. In fact, the trust, as an important factor in commerce reduces risk and makes transactions easier. The lack of trust among clients acts as the most important component of low rate of Net-based transactions. Since, the client trust has a critical role in online transaction; the level of distrust depends on product category. Highly perceived risk associated to some products and services, particularly financial services, implies strategic role of the trust in online financial services. Indeed, we can say the client distrust is one of key factors of unwilling to operate financial transactions online.

Commitment is a key variable for establishing and maintaining successful long-term relationships with customers. Therefore, commitment development has become a major objective of managers in order to establish stable relationships and networks with current customers (Casalo, L.V., et al, 2007). Commitment is a more high-ranking variable than trust, so high-commitment customers can result in significant competition advantage.

We tried to determine factors that improve client trust in online banking, and how much the trust affects commitment.

The significance of the trust in the context of online banking relates to the higher perceived uncertainty of virtual channels compared to traditional channels. This uncertainty results in various risks for clients of online banking. It seems the trust could reduce the perceived risks for clients of online banking. Moreover, the trust acts a pivotal role in the context of online banking because of the higher perceived risks. Therefore, financial services corporate emphasize the importance of the clients trust.

Most of the studies analyzing the relationship between the concepts of trust and commitment have been conducted on the inter-organizational context. However, the number of works that analyses the link between trust and commitment in the context of the business to consumer relationship is scarce, especially in online relationships. Besides, there is a lack of studies that analyses this connection in the online banking context.

**Literature Review and Hypotheses**

A research shows that computer self-efficiency influences intention of using Internet banking services via variables of perceived ease and benefits of Internet banking services (Seyyedjavadin, 2005). In other words, the more they have ability of using internet, the more they perceive positively ease and benefit of Internet banking ser-

vices. Flavian, et al. show what the consumer perceives in the traditional branch office influences the decision to adopt the online services offered by the same bank (Flavian et al., 2006). They think that sex, income and age are related to the likelihood of e-banking adoption. In another study in Austria, researchers investigated the role of internet trust as a specific form of technology trust in the context of internet banking. The results confirm the influence of internet trust on risk perception and consumer attitudes towards internet banking. Propensity to trust is a determinant not only for interpersonal relationships but also for trust in technological systems (Grabner-Krauter et al., 2008).

According to the following model, we considered perceived security in the handling of private data (SHPD), usability, and reputation as the independent variables and perceived trust as the mediator and affective commitment as dependent variable. Moreover we measured perceived security in the handling of private data (SHPD) as a two-dimensional variable including perceived security and privacy as well as concept of trust placed in a financial services web site as a construct formed by three different dimensions: honesty, benevolence and competence.

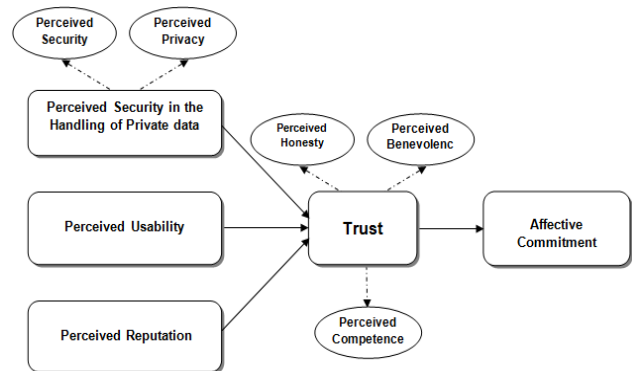


Fig. 1- (Source- Casalo et al., 2007 )

Regarding the model, the following hypotheses were proposed:  
 H1: Perceived security in the handling of private data (SHPD) associates directly with trust placed in a financial services website.  
 H2: Perceived usability associates directly with trust placed in a financial services website.  
 H3: Perceived reputation associates directly with trust placed in a financial services website.  
 H4: Trust placed in a financial services website associates directly with affective commitment.

**Methodology**

The content of this article is based on a research that is descriptive analytical in nature. We conducted a survey study to collect data and investigated various articles, researches and books to design the questionnaire. Then, we derived measurement component to each variable in question. The questionnaire consisted of 43 Likert-scaled questions that:

1. Questions 1-13 measure perceived security in the handling of private data.
2. Questions 14-20 measure perceived usability.
3. Questions 21-24 measure perceived reputation.
4. Questions 25-38 measure client trust.
5. Questions 39-43 measure affective commitment.

We gathered data from 12 branches of Saman Bank – an Iranian private bank – in May 2010 using clustering method to select sample. According to Cochran formula, sample size was determined 118. We analyzed data with SPSS using descriptive and inferential statistics.

First, we tested goodness-of-fit of distributions with Kolmogorov-Smirnov test and found that none of variables distributed normally. So we used nonparametric methods to analyze data.

We tested hypotheses with Wilcoxon test and found that:

- Perceived security in the handling of private data associated with Trust for a 0.01 level of significance.
- Perceived usability associated with Trust for a 0.01 level of significance.
- Perceived reputation associated with Trust for a 0.01 level of significance.
- Trust associated with affective commitment for a 0.01 level of significance.

Then we conducted regression analysis and found that there are associations between independent variables (Perceived security in the handling of private data, usability, and reputation) and dependent variable (Trust). Related beta coefficients are: Perceived reputation=0.547, Perceived security in the handling of private data=0.322, and Perceived usability=0.202.

Path analysis showed that the triple variables (Perceived security in the handling of private data, usability, and reputation) explained 72 percent of variance in trust in order of Perceived reputation, Perceived security in the handling of private data, and usability.

## Results

This study showed that there is a direct association between PSHD and client trust in the context of online banking. This result is in accord with results of Casalo, et al. (2007) and Flavian, C., Guinaliu (2006). Furthermore, the results present security and privacy influence directly and significantly trust in the context of online financial business.

Another result indicated association between usability and client trust in accordance with Casalo, et al. (2007) and Flavian, C., Guinaliu (2006).

The third result indicated association between reputation and client trust in context of online banking in accordance with Casalo, et al. (2007).

On the other hand, the study showed an association between client trust and commitment that accords with Casalo, et al. (2007) and Ghasim et al. (2006).

Findings of regression analysis in comparison to Casalo et al. (2007) differed slightly. The difference related to the order and effect rates of independent variables on dependent variable. The current study showed that perceived reputation, perceived security in handling private data, and perceived usability affects client trust in the context of online banking. These results indicate the behavioral difference between users in different populations that imply diverse trust-making processes within clients.

## Discussion

Numerous researches show that clients seriously concern about security gaps, hacking risks, and another issues relating to reveal financial information. Although banks use many methods such as encryption, e-sign, digital certificate, and firewall to enhance finan-

cial transactions, they must develop methods to improve perception of clients on security and privacy in the websites to ensure them.

Another important subject relates to website design that ensure clients to receive feedback and sense control and power on transactions that promote client trust in the online banking context.

The current study showed a direct association between perceived reputation and client trust. So banks can use promotion to enhance reputation and improve client trust in the online banking context.

We suggest conducting this study with larger sample from clients of other banks that use online banking services with electronic questionnaires. Furthermore, it will be useful to employ the research model in other electronic banking channels such as mobile banking as well as effects of demographics on trust in the context of online marketing.

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