

Full Length Research

The Effect of Trust in Adoption of Internet Banking: A case study of Nigeria.

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The concept of trust in the domain of internet banking has received a significant rate of interest and was recognized by researchers as one of the key motive why a large percentage of consumers are still reluctant to accept Internet banking, most especially in developing countries and Nigeria in particular. There is imbalance in the methodology and analysis of internet banking as the majority of the study in this field adopts quantitative methodology. There is little qualitative research that investigates the effect of trust in adoption of internet banking from the customers' perspective. This paper aimed to explore qualitatively the effect of trust on adoption and usage of internet banking. This study analyzed the data that was drawn through interviews with 40 bank customers in Nigeria. The four themes that emerged from the data in this study show that Nigerian customers lack trust in internet banking because of security issue, bank reputation, information technology and institution based trust.

Key words: Trust, Internet banking, qualitative, customers, Nigeria.

INTRODUCTION

Internet banking has changed the face of commercial banking in recent times by bridging geographical, industrial and regulatory gaps as well as creating innovative products and services and more market opportunities for both banks and customers (Liao and Cheung, 2002; Khan and Karim, 2010). Internet banking is defined by Pearce and Robinson (2009) as a kind of bank transaction where people transfer fund, make enquiry for account balance, payment of bills and management of asset like stocks online. Internet banking is beneficial to the bank customers and it also has some disadvantages too. The most vital disadvantage is security and protection of customers financial information. The adoption of internet banking is still slow most especially in developing countries such as Nigeria. This is due to customers' lack of trust in e-commerce (Hoffman et al., 1999). Trust is very vital in online transaction because of the risk and uncertainty associated with the services and lack of physical presence of the parties

involved in the transaction. For these motives trust is the main factor in electronic commerce growth (Eastlick and Lotz, 2011). Trust, economic values and perceived risks are strong factors that determine the behaviour of online customers (Azam and Qiang, 2012). The adoption and usage of internet banking in Nigeria is still slow. Ezeoha (2006a) contended that the acceptance of internet banking had been extremely slow in Nigeria in contrast to developed countries, a number of African countries and other developing countries. It is noted by Adeshina and Ayo (2010) in their studies that there is low-level of trust in the security measures of internet banking technology and the capability of internet Banking system in Nigeria to protect privacy. Chiemeke, (2006) argued that the issues that inhibit the development of online banking in Nigeria are lack of trust, security, poor infrastructure and information communication technology. Gerrard et al., (2006) argued that trust is lacking among bank consumers mainly in view of rising cyber crimes and

identity thefts. Similarly, it was emphasized by researchers such as Ezeoha (2005); Durkin. et al., (2008); Haque., et al (2009); Adesina and Ayo (2010) that adoption and patronage of the internet banking service by banking consumers is still insignificant despite the enormous investment on the internet technology by different financial institutions around the world.

Azam et al (2012) suggested that for an efficient adoption of electronic purchasing, electronic retailers need to comprehend the customers' sensitivity towards the electronic commerce trust and its antecedents which is totally different from brick and mortar ones. The purpose of this study is to examine in-depth the effect of trust on adoption of internet banking services in Nigeria. Qualitative methodology was used in this study to understand profoundly the respondents' views on trust in their own word. The results will serve as viable tools that can be utilized to enhance acceptance of internet banking in Nigeria.

METHODOLOGY

In accordance with the main objective of this study to scrutinize deeply effect of trust on adoption and usage of internet banking, qualitative methodology was adopted. Qualitative researchers struggle to comprehend and make sense of phenomena from the respondents perspectives (Merriam, 2002) through field note, interview, conversation, photograph, recording, and a researchers journal (Denzin and Lincoln, 2000). This will ensure deep attentiveness, emphatic understanding, rich and contextual meaning and interpretation of the phenomenon under focus from the point of view of the respondents (Offstein et al, 2004; Zhang et al, 1999). Snape and Spencer (2003:3-4) below contented that: (a)The objective of qualitative research are focused in offering in-depth and interpreted understandings of the social world of research respondents by getting knowledge about their socials and materials condition, their experience and history. (b) Qualitative research samples are smaller in size and selected purposively based on the salient criteria. One of the vital components of qualitative research is that it involves working with a small number of participants who are purposively selected based on the salient decisive factors. The participants under focus in this study were Nigerian bank customers who consisted of 20 users and 20 non users of internet banking in Lagos, Nigeria. 40 participants were selected in this study. The participants consisted of students and some professionals. The determining factor of the number of respondents in this research was done through the help of the concept of saturation. Saturation is described as the collection of data till no new information is gathered from continuation of collection of

information (Creswell, 2007).

Saturation frequently happened in research with 5-25 respondents (Creswell, 2007). Saturation was attained with 40 respondents because new themes did not emerged from the interview. Data used in this study were elicited via semi-structured interview. Each interview session began with briefings on the reason of the interview and requesting the participants' consents on the exercise. The confidentiality of their reply was re-emphasized and they were assured that pseudonym will be used in the data analysis in order to protect their anonymity. The venue for each interview was chosen by the participants to ensure the lively and informative interview session. Another reason for the choice of the location is to have the interviews conducted at a neutral place that allow the participants to share openly because the place was not relevant to the subject matter. A consensual tape recording of the interview using MP 3 was done to allow verbatim transcription (Ghaffari, 2007). To complement the audio-tape recording, field notes were also taken during each interview. According to Babbie and Mouton (2001), wide-ranging field notes are vital aspect to enhance the integrity of qualitative research. Each interview session lasted about 40 to 60 minutes.

Data Analysis

Qualitatively, data so obtained was subjected to analysis and interpretation using the constant comparative method. According to Offstein et al. (2004), this methodology is most suitable for an inductive, intuitive and interpretive analysis. Precisely the data analysis in this study began with open coding. After each interview session, the interview was transcribed verbatim for analysis. The researcher read through the interview transcript and field note, to understand and look for the major ideas. The interview transcript was compared with field note. The sentences were broken down into small segments. The segments of interview transcript and field note were colour labeled to create codes for the key ideas in each interview through constant comparative analysis. They were coded by using simple and short words that reflect the incidents in the interview transcript. During this process, memos were written down to represent the research incident. This was followed by axial coding where the refinement of the data continued by coding along the axis of each category. The next step was categorization where the codes that had similar elements were merged to form categories (Strauss and Corbin 1990).

In other word, codes that were similar in idea and meaning were assembled together to form a category. Thereafter, categories were linked with one another to

identify central or main themes that are related to the focus of study. Throughout this process intra group comparisons of concepts was performed, noting similarity, difference and conflicting point. The central themes were analyzed and researched to see what issues and previous literature existed around them. Four themes emerged from the data which included the following: security, bank reputation, information technology and institution based trust.

Security

Many researches revealed that security concern is a strong a factor that relate to the reluctance of using Internet for transaction (White and Nteli, 2004). Security emerged to be a significant factor associated to lack of trust in internet banking services (Kasemsan and Hunngam, 2011). Majority of the customers cited security as the major reason why they do not trust internet banking. These customers reported that they are scared that their personal information could fall in the hand of third parties and eventually they could lose all their savings. A respondent who is a non-user of internet banking reported:

"I do not trust internet banking because it is not secure I am scared to lose my confidential financial information to intruders which could lead total lost of my savings." (Participant 5 non-user)

It is apparent from the statement of the above participant that he does not trust internet banking because of issue of security.

This participant had this to say:

"I do not trust internet banking because I always think about its safety. As far as I am concern it is not secure and I am afraid to lose my money." (Participant 11 non-user)

Another respondent echoed:

"I think transacting online is not secured and cannot be trusted due to all these frauds going on there. That is criminals that hack in the database of the bank." (participant 17 non-user)

Similarly, the above respondent emphasized on lack of security in internet banking, hence, he does not trust the services.

A respondent who is a user of internet banking cited that: *"Although I use internet banking to pay my bills and so on, but still I do not have total trust in the security system of the bank."* (Participant 3 user of internet banking)

This statement indicates that even as a user of internet banking, the respondent does not trust the security system of the bank completely.

"Though I am a user of internet banking but I do not have total trust in internet banking because of all these cyber crimes that is happening in this country. I mean internet

banking is not completely secure." (Participant 12 user of internet banking)

Likewise, this user of internet banking does not trust the services fully because of the cyber frauds which is very rampant in Nigeria. The respondent stressed that internet banking is not absolutely secure.

"I use internet banking and I do not completely trust the security. You know this kind of online service where you do not deal with banks employees is difficult." (Participant 19 user of internet banking)

The above statements from the respondents both users and non-users of internet banking illustrate that security is a major factor that can create trust in customers in adoption of internet banking. The foregoing statements compared to the findings of Mukherjee and Nath (2007), that security is the most significant issue of consumer trust in the context of electronic commerce and Howcroft et al., (2002), security system have a vital impact on online banking acceptance.

Bank Reputation

Wang et al. (2003) reported that in the case of online banking, the lack of apparent credibility is obvious and individual's discomfort that online banking providers may use their personal information for their own propose without taking their permission. Good reputation trough word of mouth is vital in trust development in electronic commerce. Reputation is a grave element of trust and is mostly inflated by shared-value, communications and opportunist behaviors (Mukherjee and Nath, 2003). One of the respondent who is a non user of internet banking stressed that:

"My friend lost his money due to hacking, he told me internet banking is not good and secure and the credibility of the bank is questionable. Because of that, I do not trust that service." (Participant 10 non-user)

From the above statement, it is obvious that the bank reputation is at stake. This respondent cited the example of his friend whose account was hacked and for that reason he lack trust in internet banking.

"I do not trust internet banking because people close to me told me that the bank internet banking system is not reliable as they come across technical problems associated with network a lot of time and therefore making it inconvenient most times as they still have to go to the branch to do their transaction." (Participant 14 non-user)

It is apparent from the above statement that word of mouth is very vital in creating trust in internet banking. The above respondent emphasized on lack of trust in internet banking because the respondent believes in what his close associates told him about the services.

"I use it to pay bills, sometime cheque. I know somebody

that lost his funds to hackers because of that I have partial trust in the service. My friends always tell me to be careful. So far, i have not come across any problem except for technical problems” (Participant 8 user of internet banking).

The above participant who is a user of internet banking similarly stressed on lack of complete trust in internet banking because of hacking.

The previous statements from both users and non users of internet banking suggest that the reputation of the bank is appalling. The non users lack trust in internet banking because of the bank reputation while the users have partial trust in internet banking. Hence bad reputation have serious damage on the image of the bank, therefore it creates negative perception on trust. This confirms the findings of Adamson et al. (2003), that bad reputation of banks could be negatively connected with customers' trust.

Information Technology

Reliability of the technology that supports internet banking is very crucial in consumers trust. Henderson and Venkatraman (1999, pg. 474) said that information technology maintains business strategy and new business initiatives like web-based applications. All the respondents submitted that information technology is very crucial for the development of a trustworthy and secure internet banking system. The excerpt of interview expound further:

“I do not have trust in the technology structure of the bank, that influences me not to trust internet banking.” (participant 3 non-user)

The statement above indicates that the participant lack trust in the information technology of the bank and this lead to his lack of trust in internet banking.

The participant below reported that:

“Technology is very important in internet banking to develop the security standard of the system. Presently, I don't have faith in the bank technology, so, I have no trust in internet banking.” (Participant 15 non user)

The reason for lack of trust in internet banking according to the above respond is because of poor information technology of the bank. The respondent stressed on the importance of information technology to develop standard security.

A respondent who is a user of internet banking explained:

“The technology structure of the bank is not that

efficient if not they should have come up with excellent security to protect customers' information against fraud. On several occasions I experience technical problems online. Many times I end up going to the branch to do my transaction. Technology is very important in this kind of service.” (Participant 2 user of internet banking)

It is obvious from the above statement that this respondent does not trust the information technology of the bank. Moreover, the respondent mentioned his encounter with technical problems while transacting online, which suggest that the system is not reliable. Another respondent opined that:

The technology system of the bank is not also reliable. For example many times I experience problems with the website. The alert system is not also efficient, a situation where you receive the SMS alert sometimes two days after the transaction.” (Participant 9 user of internet banking)

Similarly, the statement from the above respondent also indicates that the information technology of the bank is inefficient.

The preceding statements from both users and non-users of internet banking suggest that customers do not have trust in internet banking because the banks lack standard information technology. This is line with E. Berschied, H.R. Reis, (1998), that an interactive information communication technology demonstrates benevolence by enforcing the trust perception about partners' dependability with actual evidence from their partner's behavior.

Institution Based Trust

Institution based trust is a situation where by customers believe in the integrity of the bank and have believe that the bank is liable for any lost of their saving because of hacking. McKnight et al. (1998) proposed 2 types of institution-based trust: structural assurances and situational normality. The author defined structural assurance as the belief that success is possible since such background condition as promise, contract, regulation, and guarantee are in place,” and situational normality is defined as the conviction that success is possible as the situation is normal” (p. 478). The participant below reported that:

“I will trust internet banking is there is money back guaranteed in case of any financial lost due to online fraudulent acts. But right now, there is no such policy and I do not even trust the bank itself.”

(Participant 16 non-user)

There is clear indication that the participant lack trust in internet banking because the bank do not have any legal policy to protect the customers in a situation where they lose their funds because of hacking. Another respondent expound further:

"I am scared to lose my savings without any compensation from the bank. Therefore I cannot use internet banking unless there legal policy that assure that the bank would pay back in case of any hacking." (Participant 9 non-user).

The above participant also stressed on the lack of trust in internet banking because the bank does not provide any legal policy.

This respondent added:

"I do not believe in the credibility of the bank. I can't trust the bank. For me, I will use this service if the bank is liable for the lost in case my account is hacked." (Participant 6 non user)

The statement above indicates that the participant do not have faith in the integrity of the bank. Further the participant emphasized on adopting internet banking if the bank is responsible any lost of customers funds.

A user of internet banking explained that:

"I use internet banking, but right now the bank does not provide any money back guarantee. Therefore, internet banking is risky that is why i do not trust it completely. It will be better if the bank provide any policy that assure customer saving in case of hacking. If there is such policy, I will totally trust internet banking and use it for all my banking transactions." (Participant 20 user of internet banking)

The statement from the respondent above suggests that the respondent has partial trust in internet banking because of the absence of any policy that assure refund of customers savings in case of any misfortune.

Another respondent said:

"I use internet banking sometimes to pay my bills. If there is assurance or legal policy it will increase my trust in internet banking because i will have the assurance that my money is secure in the bank no matter what." (Participant 1 user of internet banking)

Likewise, this participant stressed on having absolute trust in internet banking services if the bank provide legal policy to protect customer saving in case of frauds.

The foregoing statements imply that respondents both

users and non-users of internet banking are scared to lose their savings due to fraudulent activities over the internet, such as hacking. Because there is not any assuring policy provided by the banks all non-users of internet banking do not trust the services and the users of internet banking on the other hand have partial trust in it. Further, the responses from these participants indicate that they will trust internet banking if there is legal policy to assure them that the bank is liable to any fund lost. Hence, institution base trust could generate trust in internet banking. This is consistent with previous studies (McKnight et al. 1998), which suggest that trust is derived from institution based trust.

DISCUSSION AND CONCLUSION

Internet banking offers many benefits to customers in performing their financial transaction, still many customers are unwilling to accept the serves due to many trust related issues. The findings from this study revealed that bank customers who are non users of internet banking lack trust in internet banking and the users of internet banking have partial trust in it. The reason for this lack of trust is because of lack of security, bad reputation of banks, poor technology and lack of assuring policy or guarantee. The finding indicates that customers both users and non users of internet banking do not have trust in the security system of the bank. Further, due to bad reputation of the bank, all the non users do not trust internet banking, however the users have partial trust in the service. Hence, good reputation plays a great role in developing trust in internet banking. The findings further reveal that both users and non users of internet banking do not trust the information technology of Nigerian banks. The technology that support internet banking system is very crucial for the bank to achieve standard security. The findings show that institution-based trust is significant in trust development. The result informed that customers do not believe in the integrity of banks and they are afraid to lose their savings because the banks do not have any legal policy to protect customers in case of hacking. From the findings, the customers stressed that they will adopt internet banking if there is money back guarantee because they do not want to lose their funds to hackers. Olasanmi (2010) for instance emphasize that trust and fear have an effect on internet banking consumers who are victims of internet fraudulent activities.

The findings from the data collected qualitatively in this study clearly revealed that the Nigerian bank customers who are non-users of internet banking and for this reason they cannot adopt the services. The users as well do not trust the services completely. Therefore, for internet banking to be successful, banks need to take into consideration the factors influencing customers trust

discussed in this study. This study will add to the limited studies in internet banking in Nigeria. In addition the findings from this research have significant implications for bank managers in Nigeria. The managers could concentrate on the improving their security system, enhance their reputation, invest more in technology to back their internet banking projects and provide legal policy to their customers to create trust in their customers in the usage of internet banking. The willingness of online consumers to develop trust and use Internet banking service for transaction require the banks to design a trustworthy websites that is well secure, they should hold trust at high esteem.

Limitation and Directions for Future Research

One of the limitation of this research is that the findings was verified via a small sample of respondents through interviews. In future research, the sample size could be expanded by adopting quantitative methodology, like survey. This present study was focused on bank customers alone, future research could investigate other segments of electronic commerce like e-shopping, tourism. Further, this study was focused on Nigeria which might have some impact on the result future research could focus on other geographic area like other part of Africa or developing countries.

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