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Rebuilding Customer Trust in the British Retail Banking Industry following the Recent Financial Crisis

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By

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Table of Contents

Chapter 3

Hypotheses Formation

Chapter 4

Research Methodology

Chapter 5

Data Analysis

Chapter 6

Thematic Analysis

Chapter 7

Conclusion

List of tables

List of figures

Abstract

The recent financial crisis resulted in a significant breakdown of customer trust in the global banking sphere, which is still apparent to the present day. This event was perpetuated by the banks' relentless push for profit maximisation while neglecting the fundamental consumer policy principles. As a consequence, customers remain cynical and see the bankers' admissions and associated new slogans as a response to widespread, forceful regulation rather than corporate goodwill. In the last decade, several empirical studies have pointed out the institutional and organisational level trust violations between banks and their stakeholders. However, limited research has been conducted on how organisations aim to repair such trust deficit with their customers. In particular, such efforts are very sparse in the British Retail Banking industry after the recent financial crisis. The main objective of this study was to evaluate the ramifications of the recent financial crisis on the retail banking providers' cognitive and affective trust dimensions. In addition, the study aimed to consider the impact of different functional quality measures, e.g., complaint handling, customer engagement, staff engagement, branch presence and financial literacy on the reinstatement of customer trust. In doing so, this study offers and discusses empirical findings via a mixed methods approach where supporting data has been obtained from two focus group interactions, questionnaires completed by 508 banking customers and 20 semi-structured interviews conducted with banking officials in the UK.

This study offers several policy implications as the results reveal a significant positive association between the selected latent variables over the bank-level cognitive and affective trust dimensions. Therefore, in order to reinstate customer trust, retail banks may need to re-engage frontline employees, educate existing customers and resolve service issues promptly, and may have to mitigate the negative impact of branch closures resulting from technological innovations. Furthermore, customer procurement seems to be the defining element in the new architecture of retail banking but it may eclipse customer loyalty; therefore, banks may extenuate disparities within the services provided to both new and existing customers. Finally, through rigorous thematic analysis of the 20 semi-structured interviews, numerous themes arose: transparency in the banking operations, supporting small businesses, strengthening the IT infrastructure and the need to change the dynamics of the relationship approach, i.e., concern for employees and concern for customer. These themes constitute the service providers' perception of how to reinstate customer trust in the retail banking sector following the recent financial crisis.

Declaration

I declare that, except where explicit reference is made to the contribution of other researchers, this thesis is the result of my own work and has not been submitted for any other degree at the University of Liverpool Management School or any other institution.

Shakeel Ahmed

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Dedication

To my little daughter Farah Khan as she was born during my second year of PhD and I have missed out on so much.

Chapter 1
Introduction

1.1 Research background

In the financial services industry, the inherent nature of uncertainty, risk and vulnerability stresses trust as being of upmost importance. Knights *et al.* (2001: 318) stated that “the financial services are analogous to a ‘business of trust’ and require the creation and maintenance of trusting relationships”. Similarly, Zineldin (1995) also elaborates on the role of trust in the banking sector as trustworthiness dominates in banking since banking services involve more risk and uncertainty than any other business sector. However, Xie and Peng (2009) pointed out that, despite ‘trust’ playing a vital role as a relationship building tool, it is vulnerable to a variety of destructive threats.

Hellmann *et al.* (2000) stated that even in the strongest financial systems banks are still prone to failure or to underperform. Although such events of an individual failure might have a partial influence on the strength of the financial system, the public’s confidence will sway from ailing and incompetent banks to ones that are well managed. However, the financial crises which emerged in 2007-2008 were of a ‘systematic’ nature, e.g., several banks collectively failed due to their interconnected ethos that threatened a wider contagion. This conjoint failure weakened the Global Banking Systems and triggered the erosion of trust in the Financial Services Industry. A study by O’Connell (2010) stated that the economic repercussions to the global economy occasioned by the recent financial crisis were as formidable as those of the financial crisis of 1929-1930, which paved way to the ‘Great Depression’.

Thus, soon after the recent financial crisis, in a joint effort the World’s Central Banks came together to avert another possible ‘Great Depression’. These crises, did however unfold the limits of sophisticated financial engineering, i.e., securitisation (Nahmias, 2011), credit rating agencies (Borio, 2008), ‘light touch’ regulations (MacNeil, 2010), inadequate accounting systems (Muradoglu, 2010) and the One Stop and/or Universal Banking Model (Holland, 2009; Cyree, 2000) which had collectively jeopardised the legitimacy of the banking system across the globe.

According to Lewicki and Bunker (1996), a lone violation may be severe enough to effectively eliminate all trust. However, in the UK a prolonged period of various banking scandals and the recent financial crisis have brought the public trust in the Financial Services Industry to its lowest level (Ennew *et al.*, 2007; 2011). A study by Nienaber *et al.* (2014) reported that the mis-selling of interest rate swaps, the payment protection insurance scandal, LIBOR rigging and money laundering by the UK banks combined with the more recent banking bailouts have further aggravated the situation. The public confidence has further been denuded in the retail banking sector following the chief executives' provocative pay packages, ongoing press coverage on customer service issues and banking charges which have been in force for nearly a decade.

In organisational trust literature, the above-mentioned financial misbehaviours have been classified as integrity, competence and benevolence violations (Gillespie and Dietz, 2009; Poppo and Schepker, 2010). A study by Poppo and Schepker (2010:126) underlined integrity violations as "the intentional, dishonest acts and competence violations threaten beliefs that the organisation possesses the requisite business skills and knowledge to complete its intended functions", while, benevolence violations are the neglect of customers' wellbeing by an organisation (Gillespie and Dietz, 2009). Furthermore, organisational trust literature has also linked these violations to the cognitive and affective dimensions of the firm-level trust (Rempel *et al.*, 1995). The researchers have further classified integrity and competence violations as cognitive-based trust violations, while benevolence defilements are seen as affective-based trust violations.

This study predominately draws on research conducted by Lewicki and Bunker (1995) which states that trust should be studied under particular contextual constraints due to the fact that trust is situational and possesses context-specific characteristics. Therefore, this study has addressed the issue of *reinstating customer trust in the UK retail banking industry preceding the recent financial crises*. Although the main body of literature on trust has grown over recent years, little research has explored trust in the banking sector or the types of trust that are relevant and important for the banking industry (Heffernan *et al.*, 2008). Sirdeshmukh *et al.* (2002) also argued that fundamental gaps remain in the understanding of the factors that build or deplete consumer trust and the mechanisms that might explain the processes of trust enhancement in the consumer-firm relationship. Furthermore, Knell and Stix (2009) argued that empirical research on how trust evolves in a crisis is also limited in the business-to-customer relationship context.

Whilst considering the *personal motivation* for this study, the researcher realised his initial interest in the subject area due to his passion for the banking industry. The researcher had joined the British retail banking industry in 2005 and is still working as a *front-line employee* for a leading banking provider in the UK. Since his affiliation with the retail banking industry, he has experienced the pride and joy through his various roles by helping customers in achieving their personal financial goals. However, the vivid events of the recent financial crisis have jeopardised the *stakeholders trust* in the banking industry, as banks have *collectively* committed numerous trust violations (i.e., integrity, competence and benevolence violations). Consequently, the relationship between the society and the banking industry has changed for worse.

The general public is quite bemused by what they have experienced following the recent financial crisis, i.e., *personal financial losses* and the fundamental concerns remain around the lack of *trustworthiness* in the banking industry. The researcher had a first-hand experience of all the dramatic events unfolding the recent financial crisis and had also experienced the emotional stress for being labelled as *opportunistic* and *dishonest* by the customers. Similarly, in 2009 the researcher was also involved in the *closing down* of a retail branch in a small rural community in the North West of England due to lack of profitability/economic viability. The branch closure had inflected devastating effects on the local businesses and was also an emotionally strenuous experience for the researcher. The traditional role of banks within the community is vital as it sits at the heart of the economic cycle and branch *closures* in rural areas are often controversial. Therefore, when customers were being informed that their local branch has to be shut down; the disbelief on their faces was well evident. They were struggling to come to terms of the closure of their only local branch and they felt that their "Bank" has ditched their loyal customers.

This experience had affected the researcher to a greater extent, as it made him wonder whether "*the banking industry really understand the significance of branch presence in rural communities*". Similarly, has the bank provided enough information regarding *alternative ways of banking* to the customers and could have mitigated the negative impact of branch closure. This experience has reinforced the researcher's determination to apply contemporary thinking to practical endeavours and to address the dynamic aspect in trust repair i.e., how to restore customer trust after organisational let downs.

In addition, a prevailing view in the British retail banking industry is the acknowledgment of their wrong doings and their willingness to do whatever it takes to restore their customer trust. However, the researcher would argue, without knowing the extent to which the views of the British public has changed regarding their retail banking providers and how *they* perceive a *best fix* of the erosion of trust in the banking industry, a *one-sided effort* by the service providers had not yielded conclusive results. Therefore, the researcher has decided to pursue an *interdisciplinary approach*, a PhD study, by incorporating the views of *the general public* and *the retail banking* providers to address the issue of rebuilding customer trust in the British retail banking industry following the recent financial crisis. In doing so, drawing from the relationship marketing, bank management and service quality literature the researcher has argued that how different *functional quality measures* i.e., staff engagement, financial literacy, customer engagement, complaint handling and branch presence can influence the bank-level trust.

1.2 Rationale for the study

A study by Doney and Cannon (1997) provided evidence that trust is a better predictor of future interaction as it is the underlying mechanism of a relationship between two parties. Similarly, Spekman (1998) also stated that trust is the cornerstone for a long-term relationship as it reduces uncertainty. While, in the banking perspective, Saparito *et al*. (2004) highlighted that trust is significantly correlated to the sale of banking products and services due to their predominately intangible nature. In fact, in an early study, Ganesan (1994) argued that the very existence of banks depends upon customers' zeal to trust banking activities, as it limits the perception of opportunistic behaviour by the banking providers. However, the financial crisis of 2007-2008 has triggered customers' distrust to a new level that threatens financial stability in the UK and abroad.

In Europe, Roth (2009) described a significant influence of the recent financial crisis on the levels of trust that citizens place in financial institutions and reported a lower level of trust in the European Central Bank (ECB) since its creation in 1998. Knell and Stix (2009) also empirically validated the association between sizable drops in customer trust in Austrian banks due to the recent financial crisis[1]. Similarly, in America through a longitudinal study, Sapienza and Zingales (2012) reported a sharp drop of customer trust in correlation to the recent financial crisis; e.g., increase in withdrawals from bank deposits. These findings are consistent with the findings of the Financial Crisis Inquiry Commission in the USA (2011)[2], as the commission highlighted significant financial losses due to the recent financial crisis but also losses of customer trust in Financial Institutions. In the UK context, many prominent financial institutions have survived only through massive government interference, e.g., RBS, HBOS and Lloyds TSB etc., and the public have become very cynical about this as governments spend billions of taxpayers' money bailing-out and shoring-up failing banks. Likewise, banking products have lost further credibility due to the integrity and benevolence violations mentioned in section 1.1, i.e., LIBOR rigging, payment protection insurance scandal and the interest rate swaps mis-selling to SMEs. Thus, it is not surprising that reinstating customer trust is at the top of the agenda for many in the banking industry as banks trustworthiness has been considerably undermined.

In the domain of organisational trust repair literature, Gillespie and Dietz (2009) stated that trust repair for organisations involves multi-responses and multi-stage processes due to its profound complexity. Thus, the immediate response by the UK retail banking industry following the recent financial crisis involved: public apologies, financial compensations and the removal of failing Chief Executives, e.g., Fred Goodwin of RBS, Richard Ward of Lloyd's Banking Group, Bob Diamond of Barclays and Stephen Hester of NatWest. The removal of these incompetent Chief Executives barely 'scratched the surface' and is only an initial response to these integrity, competence and benevolence violations. Furthermore, to reinstate *institutional trust*, the UK government has now implemented a new 'twin peaks' regulatory system and abolished the Financial Services Authority (FSA) in April, 2013.

The FSA has been replaced by the Financial Conduct Authority (FCA) and the Prudential Regulation Authority (PRA). Additionally, an independent Financial Policy Committee is also being created at the Bank of England to safeguard the *institutional integrity* of the entire UK financial system. However, due to the recent banking bailouts of 2008-2009, MacNeil (2010)

[1] Their work is of particular importance as there was no banking crisis in Austria since 1945 till the recent financial crisis of 2007-2008.
[2] Final Report of *the National Commission on the Causes of the Financial and Economic Crisis in the United States:* submitted by The Financial Crisis Inquiry Commission, on January 2011, pp 1- 663

argued that the fundamental inadequacy with the UK regulatory paradigms is a conflict-of-interest due to the UK government's role as an investor in many major UK banks. Thus, the primary objective for the government would now be *Profit Maximisation* and this is contradictory to their broader fiduciary responsibilities. Therefore, the above-mentioned draft of reforms to the financial system in the UK might not be the "whole answer". As Haldane (2009) argues, regulation might be insufficient to restore public trust in the financial system if financial institutions themselves are not seen to reform from an introspective nature by changing the structure and strategy of banking. Lee (2009) also found that the development of statutory and non-statutory regulatory systems is meticulously affiliated with the development of better confidence; however, this not enough for trust repair, which is more intangible in nature. Trust is condensed within the values exhibited by institutions in their promises of future actions. Thus, these macro-exertions have to be combined with a micro-level approach in order to elevate *firm-level trust*.

Therefore, investigation into this civic outlook following the recent financial crisis is vital for numerous reasons, e.g., banks might suffer due to the dramatic drop in saving levels (Cox, 2007), customers may switchover service providers (Czellar, 2003), but most importantly investors may be reluctant to buy banks' shares which may deprive banks for low-cost funding options (Ryan and Buchholtz, 2001). Whereas, Leiser *et al.* (2010) and Worthington and Welch (2011) have pointed to an increase in parallel banking activities by non-bank actors, e.g., Tesco, Sainsbury and M&S etc., to market financial products due to their strong and loyal customer base. This has jeopardised the bank-customer relationship longevity, which had been taken for granted by UK banks prior to the recent financial crisis.

Given the economic importance of trust repair, more recently a number of trust repair models have been developed, e.g., The Reintegration Model (Pfarrer *et al.,* 2008); Corporate Trustworthiness Repair Model (Xie and Peng (2009) and The Organisation-Level Trust Repair Model (Gillespie and Dietz, 2009). Although these models will be further discussed in detail in Chapter two as they provided valuable impetus in the domain of organisational trust repair; however, these efforts are highly fragmented and incomplete (Kramer and Lewicki, 2010:249). In addition, there remains "a notable lack of conceptual coherence to the existing research" (Kim *et al.,* 2009: 402). Moreover, Pfarrer *et al.,* (2008) and Gillespie and Dietz, (2009) have profoundly focused only on the actions of the trustee that it might take to repair trust while portraying the trustor as a relatively passive observer. Thus, there appears to be a knowledge gap due to overlooking the trustor perception. Therefore, to overcome the limitations associated with the existing trust repair models, the current research combined both stakeholders' views, i.e., the general public and the service providers through data triangulation. Similarly, published research, regardless of its intense significance, has only used either a qualitative approach such as conceptual theory building (i.e. Mayer *et al.,* 1995; Poppo and Schepker, 2010) or quantitative methods, e.g. laboratory studies (i.e. Ferrin *et al.*, 2007; Schweitzer *et al.*, 2006) and scenario-based experimental designs (i.e. Xie and Peng, 2009), therefore, the existing trust repair literature represents an important theoretical gap which has been addressed in the present study.

Consequently, it would be highly advantageous to pursue a *qualitative effort* in conjunction with a *quantitative approach* to add a more in-depth understanding into the domain of trust repair methods. In doing so, both customers and service providers have been encouraged to share personal experiences; for instance, on how their trust should be restored and what progressive efforts have been made by the service providers to limit the trust deficit respectively. Therefore, the proposed study ought to draw from the antecedents of the trust paradigm in a firm-level phenomenon grounded in the systematic literature review of relationship marketing / service quality literature. While developing the research approach, rather than selecting among the different antecedents of trust, this study opted to benefit from the diversity through integrating, where possible, different functional quality measures being selected to form a *five-factor trust repair model*. The selected latent factors, i.e., customer engagement, staff engagement, branch presence, complaint handling and financial literacy, are not *alienated variables* in the domain of relationship marketing as much of the earlier research has shown their positive effect on customer trust.

For instance, first dimension in the *five-factor trust repair model* is the *front-line employee engagement*. In a service-driven industry context, such as a retail bank, the front-line employees (FLE) play a vital role; since customers build trust with an organisation's frontline employees rather than its executives (Reichheld, 1993). A study by Scotti *et al.,* (2009) reported that FLE can shape customer perception of service quality in an organisation. While, in the relationship marketing perspective, this first line of defence plays a vital role to limit customer defection (Berry, 1995). More recently, researchers have investigated the relationship between *organisational trust* and several *positive work outcomes*, i.e., based upon a strongly rooted theoretical framework, Sirdeshmukh *et al.* (2002) found that FLE behaviour is the most important and key driver for customer trust in relationship exchanges. A study by Laschinger *et al.*, (2000) reported a positive relationship between staff engagement and organisational effectiveness. Similarly, employee engagement has been linked with many positive job outcomes such as job satisfaction and performance (see, Ugwa *et al.*, 2014, for full review). A study by Anitha (2014: 310) highlighted the determinants of employee engagement as, "workplace wellbeing, compensation programme, team & co-worker relationship, leadership, working environment, policies & procedures, training and career development". However, during the quantitative phase of the study, the researcher was denied by the banks & building societies to be provided with any subjective data regarding the above mentioned variables regarding their FLE's (see, Chapter 7, research limitations, for further details).

Therefore, in this study the researcher has opted for to use *staff responsiveness* as a proxy for measuring the staff engagement level; as previous research has stated that "engaged employees go beyond the call of duty to perform their role in excellence" (Anitha, 2014: 308). Similarly, Salanova *et al.*, (2005) also stated that, when employees are highly engaged, it is expected that they will perform well with customers, leading to favourable customer evaluations of the organisation. The use of *customer evaluation* of employee's performance is not a new phenomenon in service marketing. As a study by London and Smither (1995) reported app. 60% of the firms surveyed gather employee's performance scores through internal or external customers. Milliman *et al.*, (1995) reported that in 360º appraisal system, external customers are now being included in performance appraisal programs in different service organisation. A study by Lambert *et al.*, (1997) highlighted the essence of customer rating's and reported that customers are likely in a better position to observe the FLE behaviours in service settings.

In addition, in service quality literature the linkage between employee satisfaction and customer service is well evident (see, Silberstang, 1995) as the researcher reported a more helpful and diligent behaviour by the satisfied employees. Cranny *et al.*, (1992) through path analysis has also reported that work satisfaction significantly influence job performance. In the present study *staff responsiveness* variable has been adopted from the SERVQUAL model of Parasuraman *et al.* (1988) as the researches have used *responsiveness* among other dimensions for measuring service quality. Therefore, in the present study two items *willingness to help* and *politeness* has been adopted from Parasuraman *et al.*, (1988) SERVQUAL model.

The second dimension in the *five-factor trust repair model* is *financial literacy*. Vieira (2012) reported an adverse effect of lower or nil financial literacy (FL) as one of the primary causes of the recent financial crisis of 2007-08; as borrowers were unable to understand the implication of numerous financially engineered products which were prone to interest rate sensitivity etc. This led them to accumulate unprecedented amounts of personal debt, affected their family life and led to the loss of savings and investment for retirement. Gerardi *et al.*, (2010) also investigated whether borrowers' FL, e.g., their numerical ability, may have played a role in the subprime mortgage crisis, and stated that their results raise the possibility that limitations in certain aspects of financial literacy played an important role in the subprime mortgage crisis. Some scholars have made an intrepid effort to evaluate the linkage between a low level of FL and overall stability of the stock market.

Van Rooij *et al.*'s (2011) affirmative works in the Netherland studied the relationship amid ordinary families' FL levels and stock market involvement and reported a *negative correlation* among low level of financial literacy and stock investment by such families. Consistent with these results, Vieira (2012) argued that, avoiding the apparatuses of the wider FL, e.g., understating interest rate sensitivity, balance sheets and general banking products can cause serious problems oscillating from ineffective operation of financial markets, adverse panic and even financial crisis.

The third dimension in the *five-factor trust repair model* is *branch presence.* The essence of branch presence in the local community was also one of the issues which have awoken most interest during the two focus group interactions (see Chapter 4 for full detail). The participants were more concerned regarding the adversative consequences the retail branch closure is having on the local community and non-availability of the banking services. Unfortunately, the retail branch closure is a continuing trend in the UK following the recent financial crisis as the long term downward pressure on profits has forced banks to look at ways to cut costs (cf. Edmonds, 2015). The researcher further highlighted that there were 20,583 bank branches in 1988 but only 9,383 in 2012 in the UK.

However, more recently there are some explanations to these branch closures i.e., following the recent financial crisis significant mergers i.e., Lloyds takeover Halifax and Virgin Money took over Northern Rock etc., which implies that duplicated branches have to be shut down;

followed by the declining footfall in the retail branches (Edmonds, 2014). To discuss the negative consequences of retail branch closure, a study by Smailes (1997) stated that, branch closure has prompted reduction in local credit supply, retail leakage and reduction in public service such as education and health, as mass migration may occur in search of better localities. In addition, customers may also have to pay extra in transportation cost to get face-to-face advice and loss of counter service may also be problematic for the local businesses (see, Leyshon, *et al.,* 2006). However, the researchers have further argued that branch closures are not only due to the revenues concerns but "It is also a result of new distribution channels supplementing the branch, and changes in the ways in which customers access financial services".

In a more recent study by Hollingsworth and Mian (2014: 14) also asserted that due to the rise of mobile banking, service providers have put banking services literally in the hands of the user as "access to the internet through mobile devices grew from 24% in 2010 to 51% in 2012". Therefore, one of the principle objectives in the five-factor model has also to evaluate the extent to which the banking customers value the *presence* of a retail branch in their localities and ultimately what impact it would have on the cognitive and affective dimensions of firm-level trust following the recent financial crisis.

The fourth dimension in the *five-factor trust repair model* is *customer engagement* or the need for the retail banking provider to re-engage the dis-engaged customers to strengthen customer-bank level relationship. Morgan and Hunt, (1994:33) stated that "just as medical science should understand both sickness and health, marketing science should understand both functional and dysfunctional relationships". Brodie *et al.,* (2011) through their meta-analysis conceptualised engagement as an *interactive experience* between customer and the service provider. A study by Hofmeyr and Rice (2000) stated that, if customers are detached from their service provider, then it is virtually impossible to have *committed customers*. Similarly, Warrington and Shim (2000) argued that, *disengage customer*, even if feeling satisfied, may still switch brands on a regular basis due to the impression that the brand or service provider is viewed as being trivial in the customer's decision-making process.

Whereas, Bowden *et al.*, (2015) stated that, engagement & disengagement are highly connected constructs, as prior levels of engagement significantly influenced customers' subsequent propensities to disengage. The researchers have further argued that "… all service types, regardless of service category, would benefit from adopting a more *integrated approach* to managing customer relationships in all of their variability and complexity" (p-798). Bowden (2009) and Hess and Story (2005) implies that customer trust is strongly linked to true commitment & customer engagement with the service provider.

The fifth dimension in the *five-factor trust repair model* is *complaint handling*. In service quality literature, Tax *et al.* (1998) reported a positive relationship between customer trust and successful complaint handling by the service provider. Morgan and Hunt (1994) also reported a positive relationship between the firm's efforts to solve customer disputes and their trust. Similarly, in the Malaysian Banking context, a study by Ndubisi (2007) reported *conflict handling* as an antecedent of consumer trust in the customer-firm relationship, whilst Bell *et al*. (2004) contended that any delay in firm-customer conflict handling will result in detrimental consequences for the firm, which may harm customer trust towards the service provider. In a similar vein, Johnston and Mehra (2002) suggested a positive link between customer complaint handling with trust, commitment and repurchase intentions. Di *et al.* (2010) has also stated that customers with higher perceptions of justice would have higher levels of trust in organisations. A study by Levesque and McDougall (1996) in the retail banking perspective has grounded complaint handling as a key determinant for customer satisfaction. Ravichandran *et al.,* (2010) also empirically validated a positive significant association between customer complaint handling and customer satisfaction.

Despites its significance, in the domain of management and relationship marketing no particular work has systematically or conclusively formulated any model or survey instrument in the UK retail banking context on how to repair customer-to-business level trust endogenously or any *micro-level effort in the UK retail banking industry to restore customer trust following the recent financial crisis*. Therefore, this study investigates this literary gap to improve our understanding of *customer trust from a banking perspective*. Furthermore, it aims to ascertain *the dynamic aspects* of 'trust' rather than the static ones, e.g., how to repair customer trust in the retail banking sector after the recent financial crisis. This study has considered the UK retail banking as a case in point, since public anger has been directed towards the banks & bankers in their opportunistic behaviours following the recent financial crisis.

In the relative vein, in the domain of customer engagement (CE) literature, previous studies have reflected upon organisation efforts to *physically engage* customers with their product (see, Baron *et al.*, 2001 and Prahalad, 2004), empirically validated an *emotional connection* between firm and its customers (Rieger and Kamins, 2006), heighted the importance of *customer participation* (Wagner and Majchrzak, 2007) , engaging customers in *product development* (Joshi and Sharma 2004) and *knowledge exchange* between the firm and its customer to encourage CE (see, Joshi and Sharma 2004) among other CE activities. However, no previous study has assessed the effect of CE activities on the cognitive and affective dimensions of the firm-level trust.

Therefore, this study identifies the key variables through a systematic literature review that describes CE activities and identifies the strength of impact of these activities on the two dimensions of firm level trust in the retail banking context. In addition previous studies have profoundly researched customer trust in relation to *e*-banking contexts (see, Yousafzai *et al.*, 2003; 2005 & 2009, for full review). Similarly, a study by Chen and Barner (2007) also empirically validated a significant positive relationship between trust and online purchasing intents. While, Mukherjee and Nath (2003) also found a significant association between online banking verses customer loyalty. Whoever, to the best of the researcher knowledge no previous research has assessed the effect of *physical branch presence* on the cognitive and affective dimensions of the firm-level trust. Therefore, this study has measured the casual relationship between *branch presence* and cognitive and affective trust dimensions of firm-level trust.

1.3 Research questions

This study has empirically quantified two distinct aims, firstly by identifying the dynamic contact of organisational trust and secondly by empirically validating a five-factor model to elevate the organisational trust in the retail banking sphere to reinstate customer trust. The selected latent variables for the proposed model are classified as front-line employee engagement, financial literacy, branch presence customer engagement and complaint handling, These variables have served as independent variables in the proposed model, whilst the dependent variables are categorised as cognitive and affective trust dimensions of bank-level trust. This study includes some of the principal theories on how to repair customer trust following a trust violation by organisations, followed by a reflection upon the work that has already identified the notion of 'organisational trustworthiness' in the financial service organisations following the recent financial crisis in the UK, Europe and America (see, e.g., Ennew, 2011; Gillespie *et al.* 2014; Ennew *et al.* 2011; Ennew and Sekhon, 2007; Guiso, 2009; Guiso, 2010; Xie and Peng, 2009; Knell and Stix, 2009 and Roth, 2009). These existing efforts provided a theoretical foundation for the present study.

In the context-specific parameters of the recent financial crisis and the subsequent trust violations, the following research questions have been devised which will be addressed in the current study;

Research Question 1*: How to provide a clear vision for the UK banks to repair customer trust in the retail banking sector - endogenously?*

Based on the quantitative findings, the second phase of the study aimed to achieve a deeper understanding from the bankers' perspective. Senior and branch-level banking officials were interviewed to understand their perspective on how they are trying to restore customer trust. Specifically, the qualitative phase aimed to quantify the UK retail banking providers' existing micro-level efforts; that is:

Research Question 2: *To what extent are the banking providers reassuring customers and managing parameters around economic trials to re-instate their trust?*

1.4 The research objectives

To answer the above mentioned researches questions, the following research objectives has been formulated. These objectives have been further transformed into testable hypothesis to test a broad research framework and a competing model e.g., *five-factor trust repair model* (see, Chapter 3 for full details) to reinstate customer trust in the British retail banking industry following the recent financial crisis. Mainly, this study consisted of two phases which addressed both central research questions. The research objectives 1, 2 and 3 has answered the research question 1; while, research objective 4 has answered research question 2.

1. To outline the concept and dimensions of firm-level trust while dealing with customers in a retail banking context.

2. To probe into customers' insight towards their bank's cognitive and affective trust dimensions following the recent financial crisis.
3. To empirically validate the relationship between the selected latent variables and the cognitive and affective trust dimensions of the bank-level trust.
4. To gain a qualitative insight into service provider views. This will be carried out through semi-structured interviews in which banking officials will be encouraged to express their opinions regarding their micro-level efforts towards re-instating customer trust after the recent financial crisis.
5. To provide recommendations on how trust can be enhanced and made more sustainable in the future of the UK retail banking industry.

In accomplishing the study objectives and answering the research questions, this study adopted a mixed methods research methodology which is explained in the following section.

1.5 Research methodology

The key aspect of this study is its mixed methods research methodology or the Methodological Triangulation, i.e., a questionnaire survey for the general public and semi-structured interviews conducted with the UK retail banking personnel. Numerous rigorous statistical tests demonstrated that the survey instrument is both reliable and valid. The Alpha reliability for the 26-item scale is significant at .78, indicating that the instrument is stable over time and internally consistent. Similarly, results of the construct validity through factor analysis have provided strong evidence that the research model is valid or 'the instrument measures what it claims to measure', i.e., to repair customer trust in the retail banking sector.

In the quantitative phase, data has been collected from a sample of 508 members of the general public via a self-administered questionnaire through SurveyMonkey and Mall intercept protocols. In addition, students from different universities were also given copies of the questionnaire to fill in and were then requested to snowball further copies to friends and relatives. Systematically this research has tested the proposed five-factor model through seven latent factors and 26 indicator variables. The latent factors are broadly classified as cognitive trust, affective trust, customer engagement, staff engagement, customer financial literacy, complaint handling and branch presence in conventional and non-conventional banking. Prior to the hypotheses formation, to check the suitability of the selected latent variables two focus groups interaction were conducted with the general public, which have confirmed their suitability. Furthermore, regression analysis in particular has been employed to test the statistical significant of the research model, which yielded promising results as 71% of the variance is being explained by the selected variables and the results have provided strong support for ten out of 10 hypotheses.

In phase two, twenty semi-structured interviews were conducted with different high street banking officials in the UK (see, Chapter 4, for full details), which included regional managers, branch managers, customer advisors and cashiers (frontline employees). The banking officials have been involved as they were able to draw on their own experiences in restoring customer trust following the recent financial crisis. The methodological input of this study is therefore also significant, as it has fulfilled an important literary gap, since no prior study has ever employed a mixed methods approach to address the issue of reinstating customer trust in the UK retail banking sector following the recent financial crisis. Therefore, this study sets an example of how methodological integration can be utilised to explore multiple research questions in the context-specific parameters of banking and finance.

1.6 Significance of the study

Throughout this study, detailed analysis of previous literature regarding organisational trust, customer trust and their unique antecedents / dimensions has been carried out which has guided the development of the *five-factor trust repair model* that has been incorporated into the present study. This study also combines other studies from the domain of bank marketing and service quality where these five factors have been examined in different perspectives (see, Chapter 2 for full details). This has provided secondary support to the selected factors in hypothesising a new concept e.g., *five-factor trust repair model*. In relation to the empirical significance, this *dyadic research approach* offers significant findings which are pertinent to the research questions. Following are some of the practical and theoretical applications of the study.

In the domain of mixed methods research, Woolley (2009) argued that, despite the growing applications of the mixed methods research in social sciences, there seems to be a lack of *practical examples* regarding the integration of the two methods. However, this study makes a practice effort and has proved that how qualitative and quantitative methods/data can be re-integrated at each step of the research (see, Chapter 4, for full details). For instance, focus groups interactions have been conducted to help formulate the quantitative phase (specially, hypothesis generation). Whereas, quantitative findings have helped to design the qualitative data collection process (i.e., semi structured interviews). Finally, towards the end, while reporting the empirical findings, statistical data from both methods (i.e., qualitative and quantitative phases) were linked and analysed together to improve the validity of the research findings (see Chapter 4 & 6 for further details). In relative vein, Bazeley (2002) argued that mixed method research tend to suffer from design weaknesses, as much emphasis being placed on the quantitative data. However, this study (see Chapter 4) has managed to balance both phases of the research with equal weight and emphasis (Bryman, 2008).

Similarly, this study aims to fill several literary gaps in the service quality & organisational trust literature and has improved our understanding regarding how to reinstate customer trust in retail banking sector by utilising different functional quality measures (Parasuraman *et al.*, 1998), e.g., staff engagement, financial literacy, customer engagement, complaint handling and branch presence. In doing so, it has provided strong empirical support for the *combined effect* of the selected latent variables in relation to the trust repair efforts in the retail banking industry. As the research community is still lacking such efforts in the domain of organisational trust. It has effectively tested for three different models that assisted and elevated the cognitive and affective dimensions of the bank-level trust following the recent financial crisis in a new context (i.e., the UK). The quantitative findings of this study show strong support for the postulated hypothesis and the selected variables are asserting significant influence on the bank-level trust.

This study also overcomes the limitations associated with the existing trust repair models in the domain of organisational trust repair, i.e., *the neglect of the trustor perception*. Therefore, it has combined both stakeholder views, i.e., the general public, and the service providers' through data triangulation. Further, in theoretical terms, it has contributes to the extant knowledge of cognitive and *affective trust in service relationship* as, in the third model (*a post hoc analysis)* utilised in this study provide empirical evidence that cognitive dimension of firm-level trust (i.e., competence, integrity and reliability of the service provider) contributes significantly higher towards customer's future interactions with the banking providers (β = 0.33, t = 7.61) as compare to the affective dimension (i.e., level of care demonstrated by the service provider) of the firm-level trust (β = 0.25, t = 5.06) following the recent financial crisis in the UK retail banking context.

These findings are quite persistent with the previous findings by Jonson and Grayson (2005: 505), as the researches have empirically validated a significantly higher contribution by the cognitive trust towards customer's anticipation of future interaction (β = 0.64, t = 8.39) while affective trust contributes significantly (β = 0.15, t = 2.66) but less than the cognitive dimension. Therefore, the largest positive relationship between cognitive-based trust and customer future interaction reflects its unique position in the trust-building process. In addition previous studies have profoundly researched customer trust in relation to *e*-banking contexts (see, Yousafzai *et al.,* 2003; 2005 & 2009, for full review). Similarly, a study by Chen and Barner (2007) also empirically validated a significant positive relationship between trust and online purchasing intents. While, Mukherjee and Nath (2003) found a significant association between online banking verses customer loyalty. Whoever, to the best of the researcher knowledge no previous research has assessed the effect of *physical branch presence* on the cognitive and affective dimensions of the firm-level trust. Therefore, this study has measured the casual relationship between *branch presence* and cognitive and affective trust dimensions of firm-level trust.

Another important contribution of this study has been its ability to test the *post-complaint customer behaviour* (see, Casado *et al.,* 2011, for full detail) in the retail banking sector. There has been a firm research in service quality literature that has delivered empirical evidence on the topic of *complaint handling* (see, Morgan and Hunt, 1994; Ndubisi, 2007; Bell *et al.,* 2004; Yep *et al.* ,2012; Ravichandran *et al.,* 2010; Gillespie *et al.,* 2014, McColl-Kennedy and Sparks, 2003; Varela-Neira *et al.,* 2010; Davidow, 2014; among others). The result of this study supports the findings in the previous literature that complaint handling has a significantly positive impact on customer trust (Yep *et al.,* 2012). However, the present study is the first to analyse the impact of *post-complaint behaviour* on the cognitive and affective dimension of the firm level trust following the recent financial crisis.

Therefore, based upon the empirical findings it has highlighted the existing lower level of *interpersonal skills* while recording and resolving customer complaints, i.e., lack of courteous treatment and listening skills, which may have detrimental effect on the banking provider's competence and integrity in the long run. These findings also reaffirm the previous findings by Colquitt *et al.,* (2001) and Parasuraman *et al.,* (1998) as the researches stated that, *attentiveness* and *empathy* will reflect that organisations cares for their customer concerns. This study also support the findings by Yep *et al.,* (2012: 162) as the researcher stated that "banks should not take complaint handling lightly as poorly handled complaints may be viewed by consumers as banks incompetence and lack of care towards their customers". The study also highlights the significance of *financial literacy* and its negative correlation associated with the affective dimension of banking providers in the UK.

Therefore, following the recent financial crisis policy makers may have to play the role of an educator to educate their customers in order for their customers to improve their financial literacy and product knowledge. As previous research (i.e., Huston, 2012: 571) highlighted that being financially literate improve the chances of making cost-effective borrowing choices and such people pay less to borrow. However the researcher argued that "formal education may not be efficiently producing the knowledge and skills that constitute financial literacy". Moreover, the enduring feature of this variable is its complexity and the paradox of financial literacy (see Chapter 4 & 7 for further detail). The policy makers may have to be very careful when it comes to educating their customers, as excessive financial information may transform their customers into *cherry pickers* and they may only pick the best interest rates or best service providers.

The study's findings also reveal that there is a need for a drastic shift in the retail banking sector in organising the *employee management nexus.* This may improve functional service quality, which will be helpful to limit customer defection and may also improve customer satisfaction. Satisfied customers will become loyal customers and loyalty leads to long term profitability (see, Axelsson, 2008). Thus, retail banks not only require external marketing but equal emphasis may be placed towards internal marketing such as on-the-job training and staff motivation. However, these efforts may also be complemented with interactive marketing techniques as this will add a significant improvement to the customer service offering. The importance of staff *responsiveness* in the retail banking sectors has also been established by previous scholarly research (e.g., Mandhachitara and Poolthong, 2011; Fleming, Coffman and Harter, 2005).

The current study's findings are also in line with Fleming and Asplund (2007) conceptualisation that front-line employees in the service industry (i.e., retail banking) have a critical role in how customers experience the firm as value is generated when a front-line employee interacts with a customer. Another important outcome of the present study is its ability to highlight the retail banks' efforts to mitigating the negative impact of *branch closures* via apt enactment of self-service technologies (SST). These findings are quite persistent with

Berry (1999) findings that *customisation* of the service delivery process through SST will open new opportunities for the firms i.e., through *Internet*. The study also adds further insight into the domain of self-service technologies. Thus, by considering the potential of internet/e-banking, retail banks can liberate their customers from the traditional branch banking experience as majority of the customer still value the *branch presence* (see Chapter 5). In response, the policy makers can utilise *e-banking* to re-engage their customer's on-the-move and may also be able to increase the *transparency* in daily banking operations.

In the relative vein, in the domain of customer engagement (CE) literature, previous studies have reflected upon organisation efforts to *physically engage* customers with their product (see, Baron *et al.,* 2001 and Prahalad, 2004), empirically validated an *emotional connection* between firm and its customers (Rieger and Kamins, 2006), heighted the importance of *customer participation* (Wagner and Majchrzak, 2007) , engaging customers in *product development* (Joshi and Sharma 2004) and *knowledge exchange* between the firm and its customer to encourage CE (Joshi and Sharma 2004) among other CE activities. However, no previous study has assessed the effect of CE activities on the cognitive and affective dimensions of the firm-level trust. Although, as being discussed earlier, the CE activities has proven to be a kay antecedent of customer trust in the retail banking perspective. Therefore, in practical terms, an important contribution of this study has been to validate a significant positive relationship between CE and the cognitive & affective dimensions of the firm-level trust.

While, in the qualitative quadrant, this study also had an explicit aim to provide valuable insight towards the service providers' existing micro-level efforts on how to restore their customer trust following the recent financial crisis. To ascertain these objectives, 20 semi-structured interviews were conducted with high street banking officials. A seminal element which emerged through the qualitative phase of the study is the participants' acceptance of the importance of *customer trust* in today's dynamic banking environment. The rigorous thematic analysis of the dataset yielded five macro-themes as, transparency in banking operations, support for small businesses, strengthening the bank IT systems and relationship approach, i.e., concern for customers, concern for employees.

These macro-themes constitute banking providers' efforts to re-align their banking operations and regain their credibility, as preceding the recent financial crisis in 2007-2008 the retail banking sector had profoundly focused on income, prioritising sales over service and failing to properly balance the interest of its customers and shareholders with those of its operations. To conclude, the simplified five-factor model would be of special interest to policy makers in the banking sector, as the retail banking providers can measure the level of consumers' perceptions of their cognitive and affective trust dimension by conducting periodic studies with this survey instrument at any point in time. Finally, through the *voluntary endorsement* of the five-factor model, the retail banking providers may bridge the gap in reinstating customer trust.

1.7 Structure of the thesis

As the recent financial crisis resulted in eroding customers' trust, regaining their trust has been a major objective/challenge for the UK retail banking providers. However, the question arises - what variables have changed in customers' opinions towards their banking providers and what radical changes have the bank themselves done internally to repair this trust? By sharing this perspective, the objective of the research is to empirically validate the underlying mechanisms by which customers develop trust in their banking providers. In addition, this study is also driven by the call for Mixed Methods Research by Cameron (2011) in the domain of Management Research. Thus, by taking advantage of *methodological triangulation*, this study attempts to construct a smooth dialogue between quantitative and qualitative methods. In doing so, the thesis has been divided into seven chapters, which are as following:

Chapter 1

As being discussed above, this chapter offers a brief introduction to this study and it deals with the context of the problem, research objectives, research questions, significance of the study and the overall research structure.

Chapter 2

Chapter 2 reviews the background literature of the recent financial crisis and its ramifications in the UK retail banking industry followed by an in-depth exploration of the literature in the domain of organisational trust. Subsequently, trust-related definition dilemmas and the profound importance of trust in the financial service organisations are highlighted. The Chapter also features in great depth the dimensions of trust and the distinction among organisational and institutional trust. The Chapter continues to focus upon relationship marketing in the banking context and its conceptual domain, which embraces concepts such as trust, commitment, and satisfaction. It thereby sheds light on the antecedents of firm-level trust and how firm-level trust can be intimately restored soon after a trust violation. Furthermore, it highlights the different trust repair models in the domain of organisational trust. Four case studies are also included in this Chapter, on how different organisations (i.e., Xerox Corporation, Parmalat, Mattel and Toyota) across the globe have limited the negative impact of trust violations. Finally, the literature gaps and the proposed research plan on how to address these literary gasp has been debated at the end.

Chapter 3

Chapter 3 explains the hypotheses formation and its baseline argument for the selected latent variables on how to reinstate customer trust in the retail banking sector. The Chapter underlines the relationship between front-line employee and firm level trust in a retail banking context. It also discusses the lack of financial literacy and product knowledge amongst UK customers and its ramifications for the banking industry. This is followed by underlining the importance of customer engagement. The importance of retail branch presence is also being elaborated in this Chapter coupled with the use of self-service technologies in the banking context. Finally based on the theatrical outcomes from the literature review in Chapter 2, the associations among the dependent and independent variables were hypothesised to answer the research questions.

Chapter 4

In this Chapter the philosophical stance of the thesis is explained to clarify the reasons behind the chosen dyadic methodology, i.e., mixed methods research. In doing so, the study explains the merits and scope of the mixed methodology followed by a detailed analysis of the mixed methods research process of this study. Some of the chapter take an explicit aim at the broad account of the preparation of the survey instrument and selected indicators followed by highlighting the primary data analysis techniques with relevant reliability and validity measures. The data collection procedure is also debated in this Chapter; data was mainly collected through SurveyMonkey and Mall Intercept. The discussion goes further to explain the rationale behind selecting the semi-structured interviews for the qualitative phase of the study. Finally, the chapter concludes with the pretesting of the survey instrument and by underlining the relevant ethical issues pertaining to this study.

Chapter 5

This Chapter explains the descriptive statistics and model formation, together with the validity and reliability analysis of the survey instrument. The Chapter also discuss the quantitative data analysis by utilising the overall mean and standard deviation of the dataset *(N=508)* in relation to the selected latent variable. In addition, the chapter dwells upon the core statistical technique, i.e. multiple regression analysis, which has been used to test the statistical significance of the proposed *five-factor model*. In this regard, the adjusted R^2, R, F and p values were utilised for hypotheses testing, and the results have provided strong support for all hypotheses. The proposed five-factor model yielded promising results, as 71% of the variance has been explained by the selected variables.

Chapter 6

This Chapter concludes the detailed thematic analysis of the dataset which has been derived from the 20 semi-structured interviews with officials from the different banking providers in the UK. These interviews have been conducted with numerous regional managers, branch managers, customer advisors, business managers and cashiers. In the data collection process, the interview data has been collected by selecting the potential candidates for the interviews with prior interview guidelines and access strategies. Subsequently, the detailed thematic analysis has reported the emergence of distinct themes such as transparency, supporting small businesses, strengthening the IT infrastructure and the need to change the dynamics of the relationship approach, i.e., concern for employees and concern for customers.

Chapter 7

In this Chapter, the discussion points out the study's quantitative & qualitative questions and the research conclusions. The Chapter integrates the quantitative and qualitative finding and it highlights the contribution of the study to the current theory and practice and relates the results back to the discussion of the literature review in Chapter 2. Furthermore, recommendations are made for avenues for future research alongside the limitation of this study.

1.8 Summary

In the light of discussions provided in this Chapter, it can be summarised that the recent financial crisis generated a previously unseen level of public dispute towards the banking providers' conduct. The level of trust from the public has dropped to its lowest in decades. Therefore, this study aims to formulate a five-factor model to reinstate customer trust in the UK retail banking sector. The Chapter also provides the overall study direction by underlining the study's objectives, research questions and the selected methodology. In the subsequent chapter, a systematic review of the relevant literature is presented, followed by literature gaps and the proposed research plan on how to address the gaps in the literature.

Chapter 2
Literature review

This chapter presents the theoretical background of the study which predominately dwells on organisational trust and its antecedents in the business-to-customer relationship. A conceptual framework has also been developed to differentiate between trust verses confidence and organisational trust verses institutional trust, as the response strategies might be different to tackle diverse trust violations. Although the idea of this academic research is not to conduct an inquest into the 2007-2008 financial crisis, it would be viable to indicate the variables/actors that came together to cause the financial crisis and subsequently the erosion of customer trust. This study has analysed the breakdown of trust in the global financial system, revealing that there was a trust failure at multiple levels and by multiple agents. The study has examined the platform for repairing trust in British Retail Banking as much of the public's anger is directed towards the banks and bankers' opportunistic behaviour and trust levels began to erode in 2007.

This chapter offers a detail description of the selected dimensions of the *five-factor trust repair model* in this study. Section 2.1 discusses an overview of the research context, e.g., the ramification of the recent financial crisis towards the British Retail Banking industry and the subsequent decline in customers' trust. Section 2.2 describes the *industry analysis* of the UK retail banking market. While, from sections 2.3 till 2.8 the conceptualisations of trust, organisational trust, and antecedent of trust are highlighted in great detail. Sequentially, the following sections discusses the overall theoretical framework of this study, in which section 2.9 dwells upon the *branch presence* and *customer migration* towards Self-Service Technology in the retail banking sector and section 2.10 discusses the financial literacy perspective in the UK.

Whereas, section 2.11 & 2.13 highlighted the *complaint handling* and *front-line employee engagement* dimensions in the domain of service quality literature respectively, as they are among the key dimensions of the *five-factor trust repair model* in this study. Moreover, a variety of trust repairing models have also being discussed in section 2.14 within the domain of organisational trust and relationship marketing on how to comprehend the issue of erosion of trust. Finally, this chapter strives to highlight the contextual gaps in the extant literature in section 2.16 and devise conclusive efforts to fill those gaps.

2.1 Research context

The recent financial crisis was mainly caused by an oversupply of securitised products, which have eventually triggered the fall of the lending standards (see Brunnermeier, 2009; Holland, 2010). In exploring the negative consequences of securitisation, Keys *et al.* (2008) stated that too much securitisation led to reckless lending practices and in the pre-crisis era loans and mortgages were extended without any soft check; only hard checks were done, with the arguments that house prices will further rise and customers will always be able to refinance their houses if they need any extra cash. Therefore, the loan underwriters were "driven by greed and appetite for higher returns" (Kayed and Hassan, 2011). Perhaps critics would have argued that Milton Friedman's notion of "the social responsibility of a business is to increase its profits" remained that way for banks right up to the crisis of 2007-2008.

As the crisis deepened, the interbank market on which major banks relied to access a large share of their financing for liquidity needs broke down. More specifically, inter-bank lending declined for two broad reasons: firstly, fears in the banking community that other banks may have been deeply affected and any lending to them might therefore be risky. Secondly, all of the large banks which were the key participants in the US inter-bank market required immediate sources of additional funding to bolster their own liquidity/capital base. Unfortunately, as a large part of the financial system was affected, the source of funding capital narrowed; as a result, the cost of capital increased, which leveraged further pressure on the weakened financial institutions' balance sheets. Ultimately, banks started to deny credit to the wider community and this jeopardised the whole economic system.

Kayed and Hassan (2001) and Muradoglu (2010) argued that inadequacy associated with the accounting system was also a trigger for the financial crisis of 2007-2008. This is because most of today's accounting system stems from the 1950s and does not adequately reflect the complex financial instruments which were hard to value but widely used as industry standard for risk aversion. For instance, shadows banking activities or non-bank banking such as maturity and liquidity transformation, securitisation, leverages and structured investment vehicles by prominent institutions were used as off-balance sheet activities, which made it harder for the analysts to determine their true leverage ratios. Among the other triggers for the recent financial crisis was breakdown in supervision or lax regulatory oversight by the regulators and credit rating agencies all over the financial services industry.

It would also be equally beneficial to assert the input of the rating agencies and their contribution to the financial crisis of 2007-2008 - a phenomenon out of the scope of the present study. A study by Borio (2008) argued that the credit rating agencies were also among the main contributors for the recent financial crisis due to their unfair rating system towards many financially engineered products such as mortgage-backed securities, credit defaults, swaps and bonds. The credit rating agencies were assigning high credit rating for hefty fees and clearly there were strong incentives to offer favourable ratings because they were charging higher commissions to the bonds, mortgage-backed security and collateralised debt obligation issuers. For ordinary investors it would have been impossible to assess the creditworthiness of any such issuers; rather they have to rely on the credit rating by different credit rating agencies, such as Moody’s, Standard & Poor’s and Fitch. Conversely, the credit rating agencies have favoured their self-interest over ordinary investors and ‘when the music stopped’ it was the ordinary investors who paid the price.

In the UK context, on 2nd April 2007, nine banks (Alliance & Leicester, Barclays, Bradford & Bingley, HBOS, HSBC, Lloyds-TSB/Lloyds Banking Group, Northern Rock, RBS and Standard Chartered) with a market capitalisation of £316.9 billion occupied spaces in the FTSE 100 All-Share Index, which also formed the single largest component by sector of the index. However, by the 7th April 2008, collective banks’ capitalisation was at £245.1 billion due to the fact that Bradford & Bingley and Northern Rock had dropped out of the FTSE index (Table 2.1). Finally, according to the Bank of England (2009) data, banking sector capitalisation was worth only £138.1 billion on 6th April 2009.

Table 2.1: Market capitalisation of banks in FTSE-100 (£ billion)

Banks in FTSE-100	02 April 2007	07 April 2008	06 April 2009
Alliance and Leicester	5.0	2.2	
Barclays	47.1	32.1	14.3
Bradford & Bingley	2.9		
HBOS	39.3	21.5	
HSBC	103.1	100.9	74.8
Lloyds Banking Group	31.6	25.8	12.9
Northern Rock	4.8		
RBS	62.8	37.1	17.2
Standard Chartered	20.3	25.5	18.9
Total	316.9	245.1	138.1

Source: Bank of England, 2009

Therefore, soon after, the belated nationalisation of Northern Rock and the bailing out of the major financial institutions such as RBS, HBOS and Lloyds TSB triggered the rising distrust to a new level and caused financial panic. According to Ernst & Young's (2011) Global Consumer Banking Survey, globally in 2010, 44% customers reported that their confidence in their banking industry reduced. For European countries, the UK is at the top of the list with an astounding 63% reported fall in customer confidence, followed by Germany with 61% and Spain 58% (see Ernst & Young, 2011). In response to the banking crisis, Lord Turner (2010) reiterated that, in the age of bailouts which are underwritten by the UK taxpayers, banks must acknowledge that yesterday's business as usual is no longer a common currency.

Given the nearly universal harm inflicted by the recent financial crisis, these unfolding banking calamities keep on adding to the public disgust towards their banks, as 82% of British people says *that banks have not improved since the financial crisis started*, as revealed in a YouGov poll in July 2012. Further findings of the research suggested that a staggering 60% of the respondents have no more trust in their banking providers and only 1% of the respondents feel confident that the senior executives of the failing banks have improved their conduct since the start of the recent financial crisis. In another study, 49% deemed the big four banks as *dishonest* followed by 45% who labelled them as *incompetent* (The Independent, 2012). Therefore, the process of rebuilding public trust would be an arduous task since there is a debilitating level of scepticism amongst ordinary customers regarding trust in banks.

Long before the recent financial crisis, an ad hoc report by Sykes (2004) argued that the financial services organisations have a last chance to repair customer trust or else, if the status quo persisted, it would have a negative social implication. In a more recent study the real empirical insight into trust crisis was reported by Ennew *et al.* (2011). The researchers have achieved their objective through a longitudinal study, which included the survey data from pre and post the financial crisis of 2007-2008. The forum has reported prolonged concerns about the level of customer trust in the UK financial services industry since the crisis began. Similarly, Cremer, (2010: 79) reported a survey of 2,145 UK adults aged between 16 and 64 in which 77% of the respondents believe that UK banks should concentrate on rebuilding customer trust this year. In the following section an industry analysis will be presented for the UK retail banking industry.

2.2 Industry analysis

A study by Davies *et al.* (2010) stated that there are more than 300 banks and building societies licensed to accept customer deposits in the UK. However, the provision of retail banking services is highly focused. Of the 15 clearing banks that existed in the 1960s (Barclays, Martins, Lloyds, British Linen Bank, Bank of Scotland, National Provisional, Coutts, District, Westminster, Williams Deacon's, Glyn Mills, Royal Bank of Scotland, National Commercial, National Midland and Clydesdale), fifteen are now owned by four of the largest UK banking groups: RBS, Barclays, HSBC and Lloyds Banking Group (Bank of England, 2010).

These banks along with Nationwide and Santander together account for almost 80% of the stock of UK customer lending and deposits (Matthews *et al.* 2007). In comparison to the proportion of the national economy, the UK banking system is second only to Switzerland among the G20 economies (see Davies *et al.* 2010 for full review). According to studies conducted by Kelemen and Papasolomou (2007), DeYoung *et al.* (2009) and Hartropp (1992), the major trend in the UK during the period of 1994-1997 was the conversion of building societies into banks under the Building Societies Act 1986. These changes enhance the scope for increased competition and widen choices for consumers. The scales of customer operations are truly astounding. There are 147 million credit and debit cards in issue, and over 11.2 million mortgages worth in excess of £1.2 trillion. Banks process more than 4 billion direct debits and standing orders each year and process 775 million cheques and operate a network of more than 9,000 branches and over 63,000 ATMs - from which customers withdraw £185 billion in cash each year[3].

According to the Competition and Market Authority (2014), there are approximately 80 million accounts in the UK, 65 million of which are used regularly. The personal current account (PCA) generated about £8.1 billion in revenues for providers in 2013, equivalent to £125 per account. At the moment, 20 banking groups provide PCAs in the UK market and nine of them have more than one million active accounts on their books. The total number of PCAs has increased from 75.9 million in 2011 to 79.5 million in 2013 (+4.7%) and the number of active PCAs increased from 62.0 million to 65.0 million over this period (+4.8%). The PCA numbers have increased faster than the UK population, suggesting an increase in the share of customers using

[3] *The Competition and Market Authority (2014)*

more than one PCA, a trend sometimes referred to as ‘multi-banking’. Overall the big four banks i.e., Barclays, HSBC, RBS and the Lloyds Banking Group, account for over 77% of the personal current accounts market in the UK and over 85% of business current accounts combined with 90% of the business loans market. The satisfaction levels with the big four banks are less than 60% for the personal customers, whereas the satisfaction levels of SMEs with the big four banks for business current accounts are around 60%; overall, only 13% trust their bank to act in their best interests and only 25% feel supported by their bank. Table 2.3 reflects the active current accounts in the UK.

Table 2.2: Number of active PCAs by type (in millions)

Account type	2011	2012	2013
Standard	42.2	43.8	46.0
Packaged	10.5	10.8	10.0
Basic	5.6	5.3	5.4
Student	1.7	1.7	1.6
Other	1.9	1.9	1.9
Total	62.0	63.5	65.0

Source: Competition and Market Authority, July 2014.

The subsequent section discusses the conceptualisation of trust, organisational trust and its dimensions, followed by relationship marketing in the banking perspective alongside different antecedents of trust in great detail.

2.3 Conceptualisations of trust

Trust has become a vital topic of inquiry in a variety of disciplines, including Economics (Williamson, 2004) Sociology and Psychology (Bews and Roussouw, 2002; Kramer and Lewicki, 2010; Lewicki and Bunker, 1995), Philosophy (Baier, 1986) and relationship marketing (Colquitt *et al.* 2007). The span of this literature offers rich insight (Lewicki and Tomlinson, 2003). In a similar vein, Roy *et al.* (2011) stated that, although many scholars and practitioners have acknowledged trust as an important variable for all aspects of organisational life, the issue remains complex, ambiguous and problematic. A study by Fuehrer and Ashkanasy (2001: 237) highlighted that trust is not a simple phenomenon. It generates a muddle of multi-disciplinary perspectives regarding its definition, features, dimensions and even its nature, e.g. whether it should be used as a variable or as a process (Khodyakov, 2007).

Moreover, trust definitions seem to be competing with each other (Smith, 2010), as Roy *et al.* (2011) states, there are probably as many definitions as there are authors on the subject, which creates confusion regarding the conceptualisation of trust and its dimensions. The literature has also used trust as a synonym for trustworthiness, confidence and faith or even loyalty (e.g., Khodyakov, 2007; McKnight *et al.,* 1998; Rich, 1997, among others). There is no consensus among social scientists regarding the object of trust, e.g. whether it is credible to make a distinction among interpersonal and institutional-based trust (Khodyakov, 2007), which is followed by their indecisiveness concerning trust antecedents and consequences. Moreover, Jones and George (1998) also conceptualised trust as an attitude, i.e. thoughts, feelings, and behavioural intentions.

Ebert (2009), in his copious literature synthesis of 800 highly ranked trust articles published between 1966-2006, described trust as *je ne sais quoi* and deemed it unobservable. The researcher has also cited the situation similar to Mintzberg *et al.*'s (1998) poem in which six blind men try to describe an elephant by touch. The analogy of an elephant is being used for trust and six blind men are the researchers trying to describe the unseen through their distinct perspectives. However, Colquitt *et al.* (2007) stated that all these diverse approaches regarding trust actually strengthen the trust literature. Similarly, Rousseau *et al.* (1998) mentioned that extensiveness of trust literature is a source of its strength.

Nevertheless, regardless of the plethora of research on trust, there is only little research or theory to guide a comprehensive understanding of the process of trust repair (Dirks *et al.* 2009). It is more recently that the scientific studies have begun to give the matter of trust repair much attention (Kim *et al.,* 2009), especially revamping trust at an organisational level (Gillespie and Dietz, 2009). In general, trust is a belief that is held by one party regarding the attitude and behaviour of another party. Similarly, in conventional marking terms, Sekhon *et al.* (2014: 412) stated that trust would be a belief held by customers regarding an organisation or their representatives. In the trust literature, researchers have anchored their conceptualisation of trust in both psychological and sociological domains.

In the psychological perspective, Rousseau *et al.* (1998) conceptualise trust as a personal attribute of the trustor and trustee which involves the intention to assent vulnerability by the trustor. Similarly, Lewicki *et al.* (1998) grounded trust as "an individual's belief in, and willingness to act on the basis of the words, actions and decisions of others". Kramer (1999:

571) has also supported the former views and stated his definition of trust as “it entails a state of perceived vulnerability or risk that is derived from individual’s uncertainty regarding the motives, intentions, and prospective actions of others on whom they depend”. Mayer *et al.* (1995) define trust as the trustor’s willingness to be vulnerable to the actions of the trustee based on the expectation that the trustee will perform particular actions. In addition, Kim *et al.* (2009) have also conceptualised trust as a psychological state where an individual chooses to become vulnerable to others based upon positive expectations. In a more recent study, Simpson (2007: 264) has also highlighted trust as a psychological state or orientation of the trustor towards the trustee with whom the trustor is in some way interdependent to attain valued outcomes. Moreover, trust as a psychological state guides us to consider the interpersonal trust among individuals and organisations. The following table provides the most common definitions of trust.

Table 2.3: Most common definitions of trust

Author	Definition
Boon and Holmes (1991)	A state involving confident positive expectations about another’s motives with respect to oneself in situations entailing risk
McAllister (1995)	The extent to which a person is confident in, and willing to act on the basis of, the words, actions and decisions of another
Mayer *et al.* (1995)	The willingness of a party to be vulnerable to the actions of another party based on the expectation that the other will perform a particular action important to the trustor, irrespective of the ability to monitor or control that other party
Lewicki *et al.* (1998)	Confident positive expectations regarding another’s conduct in a context of risk
Whitener *et al.* (1998)	Reflects an expectation or belief that the other party will act benevolently
Rousseau *et al.* (1998: 395)	A psychological state comprising the intention to accept vulnerability based on expectations of the intentions or behaviour of another.

There has also been a burst of scholarly activity in the sociological domain. In this perspective trust is often established in socially rooted properties of relationships between individuals or institutions. Individuals tend to generalise their trust towards individuals in organisations with which they have less interaction, familiarly and interdependence. In the sociological domain, trust has been divided into three categories, i.e. character-based trust, process-based trust and institutional-based trust (e.g., Zucker, 1986). Character-based trust is more confined towards a person's social or cultural background, whereas process-based trust is inclined towards the reputational clues of the trustee, i.e. image, while institutional-based trust is more of a legal constraint combined with social and communal credentials (Zucker, 1986). McKnight *et al*. (2002) have however stated that the interpersonal and societal perspectives overlap considerably and in some circumstances are combined. Morgan and Hunt (1994) define trust as a multi-dimensional and complex phenomenon which triumphs when the trustee fulfils their responsibilities as per trustor expectations. This implies that the trust concept should be measured through distinct perspectives. It should also be noted that in prior research, scholars such as Shapiro *et al.* (1992), Rempel *et al.* (1985), McAllister (1995), Lewis and Weigert (1985), Kantsperger and Kunz (2010) and more recently Ennew *et al.* (2007) have identified two dimensions in which trust may exist. That is, trust evolved from a pattern of careful, rational thinking as in the *cognitive dimension or cognition based-trust,* coupled with emotional linkages or as in *affective dimension or affect based-trust*.

This idea is quite persistent, with Morrow *et al.*'s (2004) idea of a *two-fold process* of feeling and rational thinking by the trustor, which implies that customers may rely on affective and cognitive signals from the service provider as an indicator of their trustworthiness (see, e.g., Moorman *et al.* 1992; Johnson and Grayson, 2005; Schweitzer *et al.,* 2006, among others). In addition, these two distinct types of trust dimensions can be translated into customer-bank relationship due to the physical and nonphysical relationships in the banking industry, where the trustee could be the bank and the customer will be the trustor. While, from a marketing perspective, Ennew and Sekhon (2007) through their longitudinal research have conceptualised the antecedent of organisational trust as *cognitive or low-level trust,* which stems from the trustee's competence, knowledge and ability; whereas, *affective trust or high level trust* is based upon the trustee's benevolence, transparency and communal ties. This perspective also enjoys support from Mayer *et al.* (1995), as they have also identified integrity, ability and benevolence as the attributes for building trustee trustworthiness.

In an early study, Zand (1972) suggested that there are three underlying determinants of trust: integrity, benevolence and credibility, e.g. the trusting party must believe that the trusted party is able to deliver on the promise and will not deliberately take unfair advantage of the situation. These three factors were later modified and reclassified by McAllister (1995) as cognitive and affective trust.

In a sociological context, cognitive trust is a customer's willingness to rely on a service provider's competence and reliability (e.g. Korczynski, 2000; Lewis and Weigert, 1985; Moorman *et al.* 1992). The perceived willingness of the trustor therefore arises from accumulated observation of the trustee's behavioural clues within the focal relationship. If the trustee's reputational clues are strong, cognitive trust may become definitive (Johnson and Grayson, 2005: 58). In addition, Coulter and Coulter (2002) stated that the most common categories of the cognitive trust dimension are reliability, competence and integrity.

The *affective trust*, which is more routed in social psychology, acts as a behavioural guideline. It is the confidence a trustor places on the basis of feelings generated by the level of care and concern the partner demonstrates (Rempel *et al.,* 1985), or the essence of affective trust is the reliance on a partner's emotions and having the trustor's interests at heart (Johnson and Grayson, 2005). The researchers have further elaborated that affective trust is an emotional bond. In their study, the researchers interviewed different financial advisors, who favoured the act of benevolence by recommending a product with no setup fee and earned little or no commission. This act of customer orientation prompts an emotional bond of trust in the financial adviser. Similarly, Coulter and Coulter (2002) stated that higher levels of affective trust may lead to greater levels of co-operation and may decrease perceived risk and uncertainty in a new relationship.

A study by Doney and Cannon (1997) grounded benevolence as in affective trust quadrant. Hanzaee and Norouzi (2012) empirically distinguished cognitive and affective dimensions of trust with their unique antecedent and consequences. The researchers have reported trustee expertise, product performance and customer service efforts as an antecedent of cognitive trust, whereas, the trustee's image has emerged as an antecedent of affective-based trust. These findings are consistent with the previous research conducted by Johnson and Grayson (2005); in addition, the researchers have reported a positive link between the customer's future interaction and cognitive- and affective-based trust. However, the above-mentioned work is based upon research drawn from interpersonal trust literature, rather than business-to-consumer affiliation. The reason for this is that the researchers have argued that it is from interpersonal trust that the thinking on institutional trust has evolved (cf. Maguire and Phillips, 2008). Furthermore, in customer-firm-level trust, the customer may trust different organisational components, e.g. staff, product, trademark and the whole production operation which delivers the finished product (Hardin, 1991), which is indeed quite divergent from interpersonal trust on the basis of human and non-human components. This problem of objectivity is quite obvious in social sciences (Khodyakov, 2007), e.g., is it at all possible to make a distinction between personal and impersonal trust?

In an earlier study, Dasgupta (1988) stated that there is a profound association between personal and impersonal trust. If it is revealed that an individual has a criminal record it is very unlikely that she/he will be given an important or even any position in an organisation. Similarly, there are strict selection criteria with regards to health, financial organisation and law professionals as any misconduct by these individuals will tarnish the whole institutional trust. This is why Dasgupta has reported trust to be a very fragile product, as, if a slice of the mosaic is broken anywhere, the whole picture will be ruined. It is based upon these findings that financial service organisations are so conservative, as if any instance of inconvenience to customers is leaked out, this could lead to severe reputational damage. However, the epic financial crisis of 2007-2008 has demonstrated that financial institutions have betrayed their stakeholders' trust, the very individuals that depend on those institutions for guidance.

This financial and emotional damage to stakeholders triggered a crisis of trust in organisations and has tarnished their image. The general public emotions have swung towards distrust. A logical question then arises: what actions should these organisations take to effectively repair customer trust? A study by Lewicki (1998) stated that removing the element of distrust may not ease the appearance of trust; the trustee must exhibit trustworthiness (cognitive and affective clues) simultaneously. Likewise, as discussed earlier, Mayer *et al.* (1995) postulated competence, integrity and benevolence as influential factors or predictors for trust, which are grounded in cognitive and affective dimensions. Accordingly, to reinstate customer trust in the retail banking sector, the current study emphasises mainly the cognitive and affective dimensions of the banking providers in the UK.

Finally, based upon the above conceptualisation, it can be deduced that trust exists in diverse relationships and at various levels. In this academic research, firm-level trust or organisational trust has been the main probe of the inquiry in a retail banking context. In this regard, Smith (2010: 226) postulated a distinctive description of customer-firm-level trust as when the trustor places trust in the rules, roles and norms of an organisation or institution independent of the people occupying those roles. In following section organisational trust will be elaborated alongside its different dimensions and distinction will be made between organisational and institutional trust to sets the foundation for this research.

2.4 Organisational trust

The central theme amid all of the above-mentioned definitions of trust in section 2.3 is the willingness to be vulnerable and have confident expectations. While vulnerability is a future construct which is based upon interdependence and risk, confident expectations relate to the ability of one party to predict how the target of trust will behave in the future. Thus, organisational trust is therefore a belief held by individuals towards an organisation with whom they interact or the collective trust orientation by the general public. This definition is also in line with Mayer *et al.*'s (1995: 172) conceptualisation of trust in a psychological perspective, that "the willingness of a party to be vulnerable to the actions of another party based on the expectation that the other will perform a particular action important to the trustor, irrespective of the ability to monitor or control that other party". These conceptualisations bode well within the banking perspective as customers will not be able to confirm the consequence of their choice prior to the performance of the financial products.

In this regard, Harrison (2003, cited in Sunikka *et al.* 2010: 67) has listed the characteristics of financial services as "high intangibility, information asymmetry between financial service providers and consumers, and a heavy reliance on the credence qualities of products and services that can lead to uncertainty. Consumers' trust in financial service providers, within companies, advisors, products and services, reduces uncertainty and the perceived risks attached to financial decision-making". The mechanism of trust can be used as a risk reliever in financial services (Zhao *et al.,* 2010) and trust is perhaps fundamental to all categories of firm for customer dealings (Eastlick and Lotz, 2011). Hart and Saunders (1997) stated that the key to building trust in business interactions is to serve the trustor (the weaker party) with honesty, without taking advantage of their reliance or limited understanding. In addition, it can also be concluded that the development of trust in customer to firm level is largely a matter of one party determining whether another party is trustworthy or not.

Similarly, Morrow *et al.* (2004) stated that for the process to be developed that whether an organisation is trustworthy, it is conceivable when an individual is able to cognitively process and evaluate all the embedded evidence.

2.5 Cognitive and affective dimensions of firm-level trust

As discussed in section 2.3, the literature has revealed two dimensions of trust: cognitive and affective. Rempel *et al.* (1985) define cognitive trust as customer willingness to reflect upon institutional integrity and competence, whilst affective trust or emotional trust (see Sunikka *et al.* 2010) stems from the level of care an institution reflects during an exchange with its customers. Likewise, according to McAllister (1995), affective-based trust refers to the emotional bonds of trust that exist between parties which might ultimately deliver the foundation for trust. In this perspective, the definition of trust in the financial services context put forward by Ennew and Sekhon (2007: 63) seems adequate, as they have encompassed both cognitive and affective dimensions of trust: "Trust is an individual's willingness to accept vulnerability on the grounds of positive expectations about the intentions or behaviour of another in a situation characterised by interdependence and risk".

While many researchers define trust as collective belief, well developed within the trust literature are its distinct types; the most common of these are the distinctions of benevolence, integrity and competence (Poppo and Schepker, 2010: 127). Whoever, in trust violation studies, certain authors' (cf. Ennew and Sekhon, 2007; Terwel *et al.*, 2009) have mainly focused on competence and integrity, with the argument that these two dimensions are the most powerful determinants of a firm's trustworthiness. The following section explains the distinct components of cognitive and affective trust dimensions of firm-level trust, namely integrity, competence and benevolence-based trust;

2.5.1 Integrity-based trust

Integrity in trust literature is underlined as the key dimension of trustworthiness (e.g., Mayer *et al.* 1995; Lewicki *et al.*, 2006). Mayer *et al.* (1995) define integrity as the trustee's adherence to a set of principles, norms and values that the trustor finds acceptable. Likewise, Xie and Peng (2009: 574) in their model of repairing customer trust after negative publicity have mentioned integrity-based trust as "the adherence to a set of sound principles", whereas, Tomlinson and Mayer (2007) have defined integrity violations as when the trustee does not adhere to a set of principle that the trustor finds acceptable. Similarly, Kim *et al.* (2006) stated that an intentional breach of agreed-upon principle is confined as integrity violation. In literature, the recent financial crisis has been recognised as integrity violation, as many financial institutions may have known the harmful effect of their actions towards the general public, however, they chose to act unfairly (Gillespie and Diaz, 2009). In addition, Gillespie (2008) has grounded fraud, dishonesty, lack of transparency, incompetence and exploitation as integrity-based violations which can have a negative impact on stakeholder trust.

2.5.2 Competence-based trust

Competence-based trust refers to the trustor's perception that the organisation possesses the required knowledge and skills to adequately perform the job, because the lack of such skills may raise competence violations (Poppo and Schepker, 2010). Likewise, trust in competence rests on the understanding of the core capabilities of an organisation and working continuously to address their weaknesses and improve performance. Thus, trust is built when problems are solved quickly. To Mayer *et al.* (1995) the ability of the firm constitutes its skill and competence, which can be developed strenuously. Customers flock towards organisations which are deemed to be result oriented, have technical capabilities, are innovative and have a bright future. Likewise they tend to choose organisations in which they trust the competence of the leaders and their ability to frame a vision, and set goals and strategy in pursuit of that vision.

The recent financial crisis, however, has exposed numerous incidents of gross incompetence amongst many chief executives, as "most chief executives of the UK banks claimed that they had been caught completely by surprise and the sudden liquidity crisis that led to bank failures and to the need for the injection of funds from government to stabilise these institutions" (Tomasic, 2011: 13). In this regard Poppo and Schepker (2010) have stated that competence-based violations may harm the public confidence in purchasing a firm's products and services.

2.5.3 Benevolence-based trust

Benevolence is inherently a relational bond of affective concern and engendering a feeling of goodwill (Poppo and Schepker, 2010). Likewise, Mayer *et al.* (1995) stated that benevolence is a positive orientation of the trustee towards the trustor, e.g., customers trust an organisation when they believe that it is genuinely concerned for their wellbeing and keeps their interests at heart. From an intra-organisational perspective, employees will trust their organisation, if the firm shows it cares their HR-related issues.

Table 2.4 Different definitions of organisational trust

Citation	Dyad	Definitions of organisational trust
Adamson *et al.* (2003)	B2B	"One party has confidence in an exchange partner's reliability and integrity" (Morgan and Hunt, 1994)
Aurier and Goala (2010)	B2C	"When one party has confidence in the exchange partner's reliability and integrity" (Morgan and Hunt, 1994)
Balasubramanian *et al.* (2003)	B2C	"The willingness of a party to be vulnerable to the actions of another party based on the expectation that the other will perform a particular action important to the trustor, irrespective of the ability to monitor or control that other party" (Mayer *et al.*, 1995)
Chiou *et al.* (2002)	B2C	"The belief that another party can be relied on with confidence to perform role responsibilities in a fiduciary manner" (Smith and Barclay, 1997)
Deb and Chavali (2010)	B2C	"A willingness to rely on an exchange partner in whom one has confidence" (Moorman *et al.*, 1993a, b)
Eisingerich and Bell (2007)	B2C	"Customers' confidence in a service seller's reliability and integrity" (Morgan and Hunt, 1994), "the expectation that it can be relied upon to deliver its promises" (Sirdeshmukh *et al.*, 2002)
Fernandez and Roman (2012)	B2C	"The belief on the part of the customer that obligations will be fulfilled" (Swan *et al.*, 1999)
Flavian *et al.* (2005)	B2C	"One party's belief that its needs will be fulfilled in the future by actions undertaken by the other party" (Anderson and Weitz, 1992)
Johnson and Grayson (2005)	B2C	"A customer's confidence or willingness to rely on a service provider's competence and reliability" (Rempel *et al.*, 1985)
Kim *et al.* (2009a)	B2C	"A psychological expectation that a trusted party will not behave opportunistically" (Bradach and Eccles, 1989; Rousseau *et al.*, 1998)
Roy *et al.* (2011)	B2C	"A mutual confidence that no party to an exchange will exploit another's vulnerabilities" (Sabel,1993; Huff, 2000)
Sanchez-Franco (2009)	B2C	"A psychological state that induces us to accept our own vulnerability, and is specifically based on favourable expectations regarding the intentions and behaviours of another party" (Singh and Sirdeshmukh, 2000)
Yousafzai *et al.* (2005)	B2C	"Willingness of customers to perform on-line banking transactions, expecting that the bank will fulfil its obligations, irrespective of their ability to monitor or control banks' actions" Yousafzai *et al.* (2005)

Similarly, previous research has shown that customers are more loyal to the firms that prioritise their needs by providing quality a product or service, e.g., at a fair price, maintains well-timed and transparent communication, provides a speedy response to their concerns and rewards loyalty. A study by Tomlinson and Mayer (2009: 93) draws attention to the perception of benevolence that it will grow slowly as the relationship between the parties develops over time; however, even in an established relationship, neglect of the other party can damage the perception of benevolence. Similarly, Elangovan *et al.* (2007) argued that trust eroded more rapidly when trustees were seen as unwilling to honour trust; however, a change of heart on the trustee's behalf and a desire to do good in the future may cause an upturn in the low benevolence feeling on the trustee's part. Therefore, this is a leap-of-faith or a glimmer of hope for the UK banking providers among such notable consumer distrust as they do have a preceding positive reputation to build upon.

In the lead up to the recent financial crisis, it can be argued that the financial industry was less inclined towards the goodwill of its stakeholders' interests and many rules of fairness were violated. The focus of the industry's affection was towards achieving increasing sales targets and its link to executive bonuses. This sales culture led to executive risk taking which has betrayed the interests of the industry's internal and external customers, which constitutes benevolence violations. Therefore, from the above-mentioned discussion it can be concluded that it is vital for the UK retail banks to improve their image or perception in the eyes of their consumers by addressing the issue of organisational trustworthiness, which is grounded in the cognitive and affective dimensions of trust (see, for example, Ennew *et al.* 2011, Ennew and Sekhon, 2007, Morrow *et al.* 2004, Shockley-Zalabak *et al.* 2000, Shockley-Zalabak and Morreale, 2011). Similarly, a study by Gill *et al.* (2005) reported that the trustee's characteristics of integrity, ability and benevolence affect trustor intentions to trust.

2.6 Institutional trust

This segment discusses institutional or systemic trust, which is a concept that is more rooted in a sociological perspective. Institutional trust, a macro-level phenomenon, is a form of individual or collective actions that are imbedded in the institutional environment in which the interaction takes place, or different organisations perform their functions under the institutional umbrella; in this context, institutional trust is also referred to trust *in* institutions (cf. Bachmann and Inkpen, 2011). This form of trust is considered critical for social and economic progress for a variety of reasons (Smith, 2010), e.g., without institutional trust the general public may withdraw voluntary compliance of rules and regulation in a society and may even jeopardise the public sector administration as a whole.

Trust in taxation, policing, the media, parliament, courts, financial regulation and health services are the best examples, and fall into the domain of institutional-based trust. Arguably, the prominence of institutional trust in the financial institutions cannot be over-emphasised, as the absence of trust in the financial system can destabilise the economic system as a whole; as the general public will be reluctant to engage in an implicit contract with the banks, which are sheltered under the umbrella of institutional trust. However, Bachmann and Inkpen (2011) stated that since the emergence of the global financial crisis "institutional-based trust is critically needed when strategies are developed to re-build individuals' and organisations' trust in banks and other firms which have recently massively failed to live up to their business partners' as well as other stakeholders' expectations".

Bachmann and Inkpen's (2011) work is of profound interest as the researchers have made a credible case for the existence and implementation of macro-level or institutional-based trust; the researchers have argued that it is quite challenging for a modern business to really solely on face-to-face interaction for business dealing which can be time consuming and very costly economically; but rather if the institutional trust exists both parties can rely on the institutional safeguard apparatus and can interact without hesitance. The researchers have further referred to Mayer *et al.*'s (1995) notion of trusting someone by their prior competence, integrity and benevolence clues but such trustworthy clues may not be possible to evaluate in a new relationship; therefore, it would be the institutional trust or the third party guarantor mechanism that would play an important role in developing trusting relationships and reducing risk. To sum up, as propounded by Nienaber *et al.* (2014: 370), "an antecedent to trust with and between agents of these systems requires confidence in the systems themselves".

Smith (2010: 266) described institutional trust as an explicit type of trust affiliation "where it is the institution that is trustworthy and the citizen that is the trustor". In this regard, it seems to be of profound importance to advance intuitions into rebuilding institutional trust in the aftermath of the recent financial crisis as the general public will never be confident enough to reinvest their trust in the UK retail banking system if the institutional trust remains thin. In a relative vein, while emphasising the importance of institutional trust, Fukuyama (1995), to whom more recently Bachmann and Inkpen (2011) also referred, has stated that institutional trust or the "third party guarantor" in the business environment is needed as the trustee [the bank] or trustor [customers] may not know each other and there would be a need for such guarantor to facilitate a leap of faith via explicit rules and regulation.

Institutional trust is mostly confined to be reinforced through regulatory efforts (Tomasic, 2011) and this macro-level phenomenon is out of the scope of the present research. In this regard, Gillespie (2013) has also clearly stated that the institutional trust issue is now being addressed in the UK by the new 'twin peaks' regulators, the Financial Conduct Authority and The Prudential Regulation Authority, while at the European level the issue of macro-level prudential oversight is being managed by The European Systemic Risk Board (ESRB), The European Securities and Markets Authority (ESMA), The European Banking Authority (EBA) and The European Insurance and Occupational Pensions Authority (EIOPA).

As the central tenet of this thesis is to reinstate customer trust in retail banking, therefore, there is significant merit in the notion of creating relationships as an attempt to increase the level of trust that customers hold towards their bank; thus, it is not surprising to learn that relationship banking is fast becoming the key success factor in the financial services market (cf. Theron *et al.*, 2011, for full review); whereas Morgan and Hunt (1994) have theorised that successful relationship marketing requires relationship, commitment and trust. In the following section relationship marketing will be debated from a banking perspective as the selected latent variables in this study stems from the relationship marketing, service quality and bank management literature.

2.7 Relationship marketing from a banking perspective

Berry (1995) referred to relationship marketing (thereafter RM) as a new-old concept and has argued that its full potential was not being realised until 1980 as initially marketing activities were simply used to hire new customers in the mass production era. Veloutsou *et al.* (2002: 433) have stated that, despite considerable early criticism which attempted to reduce RM to another management fad or the emperor's new clothes, it is currently acknowledged as a paradigm shift in marketing. The phrase relationship marketing appears in the service marketing literature for the first time in 1983 in a paper by Berry (Grönroos, 1994) with a paradigm shift from transactional marketing towards RM. Relationship marketing is defined as “attracting, maintaining and-in multi-service organisations – enhancing customer relationship” (Berry 1995: 25). The researcher has outlined five strategies for practising RM: improve customer relationship, enhancing the core service with extra benefits, engaging customers, adaptation of competitive pricing and improving internal marketing or staff satisfaction.

The conceptual domain of RM embraces concepts such as trust, commitment and satisfaction (e.g., Morgan and Hunt 1994). However, recently, Das (2009), through a systematic literature review of the numerous publications in the RM domain, has contended that RM has become a fusion of divergent theories and diverse schools of thought reflecting a clear lack of mutual understanding. In relationship marketing literature, RM activities have been used for different aims, e.g., strategies to attract, maintain and enhance the customer relationship/network; others have highlighted RM for meeting stakeholder interests at a profit, followed by sustaining long-lasting relationship for mutual reward (e.g., Ndubisi, 2007; for a detailed review).

Grönroos (1994) stated that RM is most likely to be suitable for a service-driven industry; therefore, it adds merit to explore RM from the financial sector perspective - which is a core tenet of this thesis. Abratt and Russell (1999: 7), through an extensive review of the journal articles published between 1987 and 1996 in an RM context, have articulated the emergence of several themes which they have successfully linked to the banking perspective. The first theme in RM is the need for banks to know who their customers are, what they want and how to efficiently and effectively cross-market the banking activities to them. The second theme is client knowledge: by understanding the economies of consumer retention, the bank can target the existing profitable segment to increase their share of the wallet.

The third theme is the prevalence of trust among the relationship partners in banking operations and the fourth theme is the cultivation of trustworthy relations between frontline staff and their customers. The fifth theme is service quality, which can provide the foundation for enhanced loyalty, retention and improved business performance for the banks. In conclusion, the sixth theme is internal marketing and the training and educating of frontline employees to provide exceptional quality services, which will improve customer retention and profit margins for the bank. In addition, Doney and Cannon (1997) reported a positive effect of bank advisors or sales’ staff competence and friendliness on customer trust. In light of these findings, the need for RM in the banking industry is of profound interest due to the inherent heterogeneity of services which makes customers simply prone to defect. Congruent with the present research focus on customer trust at the firm-level, which is deep-rooted in RM, it adds merit, utilising the RM perspective for hypothesis formulation, as much of the literature in relationship marketing is grounded on the issue of trust (e.g., Blomqvist et al., 199; Ndubisi, 2007; Sirdeshmukh et al., 2002).

Similarly, Walsh *et al.* (2004: 469) conclude that, from a retail banking perspective, RM is defined as “the activities carried out by banks in order to attract, interact with, and retain more profitable or high net-worth customers” Blomqvist *et al.* (1993), to whom more recently Ndubisi (2007) has explicitly referred, have affirmed the same, as the main characteristic of RM is to prioritise existing customers and restrict their defection. As in the retail banking scenario, which is an extremely competitive market and different banks are providing relatively identical services, the process of captivating new customers is an expensive and laborious endeavour. Reichheld and Schefter (2000) argue that economically it is expensive to take on new customers and the cost may be five times higher as compared to retaining the existing ones (Rust and Zahorik, 1993). Interestingly, for the UK financial institutions it is estimated that an increase of 5% in customer retention efforts is potentially worth £100 million a year (Newman and Cowling, 1996: 3).

Therefore, banks of all magnitudes have to dedicate maximum time and vigour to improving service quality and retention effort (Reichheld and Sasser Jr., 1990), which is described as a growth and retentions strategy. In an early study, Keltner (1995) reported a positive link between RM activity and bank performance. The researcher reported that from the 1980s to early 1990s the German banks outperformed the US banks by sticking to RM activities, e.g., customer orientation. Consequently, Leverin and Liljander (2006) noted along these lines that RM activities work better when customers are fully engaged, which stimulates their positive feeling towards their banking provider. The issue of customer engagement is further discussed in detail in section 3.5.

To summarise, trust is believed to be a critical factor amid RM activities. An example of such seminal work on trust from an RM perspective is that of Berry (1996). Berry has tinted trust as the most powerful RM tool available to any organisation amid an environment of mis-selling and distrust. Others have positioned trust in RM as an essential element for sustainable market share and stronger customer bond in the customer-firm relationship (Sirdeshmukh et al., 2002).

Research by Morgan and Hunt (1994: 23) has also shown that RM is built on the foundation of trust, as they define the existence of trust when "one party has confidence in an exchange partner's reliability and integrity". Nienaber *et al.* (2014), by using a meta-analytical design of 93 studies $N = 38{,}631$, of which 20 empirically investigate organisational trust in the financial sector with a combined N of 11,224 respondents, have reported that previous studies have revealed the measurement of a range of constructs in trust literature, e.g., commitment, competence, communication, cooperation, performance, satisfaction and conflict handling among others; therefore, it adds merit to focus on these antecedents of trust in greater detail. Therefore the following section will elaborate different antecedents of trust with the focus on the five-factor model of the firm-level trust.

2.8 Antecedents of trust

The trust literature suggests that trust can be managed once the antecedents (the so-called building blocks) contributing to the establishment and management of trust are adequately identified (Gillespie and Dietz, 2008; 2009). Despite the growing interest in the role and importance of trust in financial services, literature on the specific driving forces (or antecedents) appears to be limited (Theron *et al.*, 2011: 190). Similarly, Sirdeshmukh *et al.* (2002: 15) argued that fundamental gaps remain in the understanding of the factors that build or deplete consumer trust and the mechanisms that might explain the process of trust enhancement or depletion in consumer-firm relationships. Moreover, there seems to be little consensus among the academics regarding the antecedents of trust. Different antecedents of trust have been established by researchers, e.g., trustworthiness, customer satisfaction, complaint handling, service recovery, communication, customisation, firm reputation, shared value and competence (e.g., Theron *et al.*, 2011; Mukherjee and Nath, 2003; Morgan and Hunt 1994, among others). In the following section, the discussion points to the different antecedents of trust in detail.

Gounaris and Venetis (2002) illustrated that customer satisfaction is an antecedent of trust which underpins the quality of the service delivered by the firm. A study by Eberts (2009) demonstrated a stronger link between customer satisfaction and trust in the business-to-customer relationship. The researcher has further stated that customer satisfaction is largely affected by the frontline employees' behaviour, the core product or service and ultimately the organisation itself. Similarly, an early study by Fornell (1992) of Swedish consumers highlighted that customer satisfaction is vital for consumer trust and loyalty in insurance, banks and mail order businesses. More recently, Theron *et al.* (2011) reported a positive link between satisfaction and customer trust in financial service organisations. A study by Flores and Solomon (1998: 28) asserted that "trustworthiness inspires trust", while Mayer *et al.* (1995) underlined trustworthiness as a key antecedent of trust. Therefore, the notion of trustworthiness is fundamental to comprehend trust (Colquitt *et al.*, 2007). A study by Hardin (2002), to whom more recently Ennew *et al.* (2011) explicitly referred, stated that most of the debate should be placed on trustworthiness rather than trust. More recently, Heffernan *et al.* (2008: 193) stated that "it is not possible to make one party trust another, but it is possible to create the environment within which trustworthiness might be perceived".

The available evidence seems to suggest that trustworthiness is a product of the trustee and there are activities an institution can undertake to show it is worthy of being trusted (Ennew *et al.* 2011). There are numerous aspects of trustworthiness documented in academia that will lead to customer trust, such as competence and motives (Knell and Stix, 2009), competence and integrity (Lieberman, 1981), ability and intention to deliver (Deutsch, 1960), moral integrity and goodwill (Ring and Van de Ven, 1992). Nonetheless, to Ennew and Sekhon (2007) the notions of benevolence, integrity and competence are widely accepted as the main elements of trustworthiness.

Theron *et al.* (2011) highlighted customisation as an antecedent of customer trust in the financial service industry, which is the ability of a service provider to make changes to their products in order to accommodate their customers' needs. In an early study, Gill *et al*. (2006) demonstrated a positive relationship between customisation and customer trust. In the banking industry the emerging role of technology cannot be overemphasised. It may help the banks to identify the best channels to contact customers and tailor-make the financial products according to their specific needs. The best multi-channel experience would be when a customer can look for financial products online, apply for the product or service online and then finalise the deal in a physical retail branch, and that would be a great example of customisation in action.

Morgan and Hunt (1994) reported a positive relationship between the firm's efforts to solve customer disputes and their trust. Similarly, in the Malaysian Banking context, a study by Ndubisi (2007) reported conflict handling as an antecedent of consumer trust in the customer-firm relationship, whilst Bell *et al*. (2004) contended that any delay in firm-customer conflict handling will result in detrimental consequences for the firm, which may harm customer trust towards the service provider. Di *et al.* (2010) highlighted a three-dimensional model of justice perception for complaint handling which has its roots in organisational justice theory, e.g., *fairness in interaction,* which is the frontline employees' ability to take ownership of the problem and communicate with courtesy and justice when any element of dissatisfaction is raised by the customer. Moreover, staff should give a proper explanation of the cause of the problem and act with empathy when the outcome is not in the customers' favour.

The second concept is the *distribution of fairness,* which is the firm's willingness to offer refunds and exchange as a gesture of goodwill, during the complaint handling process. Finally, *procedural justice*, which is the firm's ability to act promptly and with transparency when a complaint is being raised. It also takes into account staff ability to explain to the customer how to raise a complaint and how long it will take to resolve the issue. In a similar vein, Johnston and Mehra (2002) suggested a positive link between customer complaint handling with trust, commitment and repurchase intentions. The service provider's competence, which is also a prerequisite for the firm's trustworthiness, is documented as another antecedent of customer trust, as Coulter and Coulter (2003) have reported a positive relationship between competence and trust. Likewise, Theron *et al.* (2011) have also reported a positive link between competence and trust in the business-to-business context in the financial services industry.

A study by Morgan and Hunt (1994: 22) postulated shared values as a direct antecedent of trust in their model of relationship marketing, while studying the mediating role of trust, commitment and opportunistic behaviour among America's independent automotive tyre retailers. The researchers have described shared values as "the extents to which partners have beliefs in common about what behaviours, goals and policies are important or unimportant, appropriate or inappropriate and right or wrong". The positive association amid shared values and trust has been similarly stated by numerous studies (e.g., Mukherjee and Nath, 2003; Theron *et al.*, 2011). In addition, Mukherjee and Nath (2003) observed that shared value is the most critical factor to developing trust as well as relationship commitment.

In a more recent attempt, Theron *et al.* (2011: 212) stated that shared values is an antecedent of trust, "which implies that customers prefer the financial service provider's business values to be in agreement with that of their own and it also involves a process through which financial services providers and clients develop a true understanding of each other's business values".

Ethics in banking is an important element of shared values. Ethical values regulate the odds of banking providers providing inconclusive information regarding their services, e.g., interest rate, term of the contract, cancellation rights and early repayment penalties etc. (Mukherjee and Nath, 2003). However, it also discourages banks from selling customer databases to third parties without their prior consent

Palmatier (2008: 60) stated that communication - which is defined as the quality, frequency and bulk of information flows between the exchange partners - appears to be the most universally positive antecedent of trust. Likewise, Morgan and Hunt (1994) cited communication between the business and customer as an antecedent of customer trust. Similarly, Ball *et al.* (2004: 1284) reported their findings from a survey of banking customers corresponding to the 2001 wave of the European Customer Satisfaction Index – Portugal, that communication is an antecedent of trust and loyalty; the researchers stated that "It appears in banking, helpful, clear personalised information and advice not only enhance satisfaction and trust, but also loyalty, to a significant extent". These results provide confirmatory evidence that accurate, useful, open and well-timed information can reduce vulnerability [especially in financial services] and it is also associated with a higher level of customer trust.

Ndubisi (2007) also highlighted communication as a key antecedent of customer trust, especially when firms are looking to build a long-lasting relationship with clients. The researcher has grounded trustworthy information as an essence for effective communication in financial services due to the complex nature of the financial products. Similarly, Bell *et al.* (2004) stated that communication can affect all aspects of bank-to-customer relationship, as the information asymmetry and FLE will play a pivotal role to gain customer trust by communicating trustworthy clues. In an early study, Morgan and Hunt (1995) demonstrated that communication is an antecedent of customer trust. Likewise, Anderson and Weitz (1989, cited in Theron *et al.* 2001) also emphasised the importance of communication in the trust development process. A study by Mukherjee and Nath (2003) also theoretically conceptualised a positive relationship amid trust and communication, while assessing the trustworthiness of online banking providers in the financial services industry. The researchers have further highlighted that helpful, personal and clear communication can elevate customer satisfaction and customer trust respectively. Moreover, customers tend to be brand switchers if they are not actively updated regarding the core product usage and product information.

2.9 Branch Presence

A study by Ritter (1993) has coined the term *relationship banking* in the banking context which necessitates the presence of a long lasting relationship between the service providers and customers. However, relationship banking turns out to be even a bigger challenge for the retail banking providers in the midst of recent *branch closures*. Unfortunately, the retail branch closures are a continuing trend in the UK following the recent financial crisis as the long term downward pressure on profits has forced banks to look to ways to cut costs (see, Edmonds, 2015). The researcher further highlighted that there were 20,583 branches in 1988 but only 9,383 in 2012 in the UK. However, more recently there are some explanations to these branch closures i.e., following the recent financial crisis significant mergers i.e., Lloyds takeover Halifax and Virgin Money took over Northern Rock, which implies that duplicated branches has to be shut down; followed by the declining footfall in the retail branches (Edmonds, 2014). To discuss the negative consequences of retail branch closure, a study by Smailes (1997) stated that, branch closure has prompted reduction in local credit supply, retail leakage and reduction in public service such as education and health, as mass migration may occur in search of better localities.

In addition, customers may also have to pay extra in transportation cost to get face-to-face advice and loss of counter service may also be problematic for the local businesses (see, Leyshon, *et al.,* 2006). However, the researchers have further argued that branch closures are not only due to the revenues concerns but "It is also a result of new distribution channels supplementing the branch, and changes in the ways in which customers access financial services". Similarly, in a more recently study by Hollingsworth and Mian (2014: 14) asserted that due to the rise of mobile banking, service providers have put banking services literally in the hands of the user as "access to the internet through mobile devices grew from 24% in 2010 to 51% in 2012".

Therefore, one of the principle objectives in the five-factor model has also to evaluate the extent to which the banking customers value the *presence* of a retail branch in their localities and ultimately what impact it would have on the cognitive and affective dimensions of firm-level trust following the recent financial crisis. On the contrary, as branch closure is an undeniable and continuing trend in the UK, therefore, it adds merit to the idea of incorporating the use of Self-Service technologies (SST) that how the retail banking providers will be able to mitigate the negative impact of branch closure. Therefore, the use of SST has been discussed in the following section.

2.9.1 Customer migration towards Self-Service Technology (SST)

More recently, with the emergence of self-service technologies, the issue of customer engagement is becoming more of a challenge for the service providers with customer engagement over social media being something the banks are only just trying to comprehend (see Kincy, 2012, for full review). Therefore, it adds merit to the idea of discussing customer migration towards these interactive channels, as the UK banks are profoundly investing in self-service technologies to mitigate the negative impact of branch closure. While businesses have been influenced in some way or the other by electronic commerce, its effect on the banking industry is more obvious. In the twenty-first century, digital banking or e-banking is the most popular way of banking (cf. Mukherjee and Nath, 2003). Interestingly, e-banking has emerged with a two-fold benefit for the industry, i.e., technology savvy customers can manage their finances with great ease, and, for the banks, it can influence the mass market with great efficiency, for a fraction of the cost as compared to the physical branch network.

These self-service technologies have also transformed the interaction podiums between service providers and customers (Ho and Ko, 2008). The researchers have further hypothesised that the service providers must address the *customer value concerns* and *customer readiness* as they have a positive relationship with the adaptation of e-banking. In this regard, a study by Proenca and Rodrigues (2011) stated that the defining factors in consumer preferences towards SST are convenience, reliability, confidentiality, speed, usefulness, simplicity and computer literacy. In a retail banking context, SST mainly involves automated teller machines, cash deposit machines, telephone banking, mobile banking and internet banking etc. (Berger, 2009). Some of the main benefits of SST for the banking providers (Berger, 2009; Proenca and Rodrigues, 2011) are its significant cost reduction ability whilst enhancing service efficiency, coupled with customer engagement and increased productivity. As for the customer, it involves time saving, convenience, 24-hour availability of banking services and high interest rates.

Furthermore, over the last few years, retail branches have been regarded almost as a liability and a costly distribution channel; therefore, the banking providers have progressively tried to migrate customers towards SST and have reduced the number of available retail branches.

Nevertheless, this deinstitutionalisation through the non-physical entities such as online, mobile and telephonic banking along with the already existing CDM/ATM channels has opened promising opportunities for the banking industry. However, the dramatic events of 2007/08 also jeopardise the use of these interactive channels as the integrity, competence and ability of the retail banks has been put into question. Likewise, Dimitriadis and Kyrezis (2008) make a credible case that transfer of trust only flows towards these interactive or non-physical channels if the customers have firm belief and trustworthiness towards the physical manifestation of the banking provider.

The researchers have further argued that ATM usage will reflect the banks' competence and predictability components, while customer migration will lean towards e-banking if the service providers uphold their benevolence and integrity. The most prominent of all SST is the internet banking service, although the usage of this interactive channel has not yet reached its full potential as desired by the banking providers (cf. Zhao *et al.*, 2010). The shared concerns among internet users are the concerns for their privacy coupled with the competence of their banking provider to sustain an un-interrupted internet banking operation. These anxieties have intensified the perceived risk, which is further increased due to deteriorating level of public trust in banking providers: "this clearly exhibits that trust in a bank is a vital element in relation to financial services" (Zhao *et al.*, 2010: 11). In addition, competence-based trust is crucial for trust in the electronic channels (Zhao *et al*., 2010: 14). However, the recent computer glitches by numerous banking providers in the UK have created prolonged concern regarding the competence of internet banking and its providers.

2.10 Financial literacy - the UK perspective

According to Vieira (2012), financial literacy (thereafter, FL) is the ability to comprehend financial issues - it comprises skills and knowledge that allow a person to make cognisant and effective decisions through their understanding of finances. Vieira has labelled those decisions as budgeting, saving, spending and selection of appropriate financial products among others to have a better control over their finances. Similarly, Mason and Wilson (2000: 31) described FL as "an individual's ability to obtain, understand and evaluate the relevant information necessary to make decisions with an awareness of the likely financial consequences". In Menzies (2013: 05) the FL is defined as "a combination of awareness, knowledge, skill, attitude and behaviour needed to make sound financial decisions and ultimately achieve financial wellbeing".

However, not everyone can manage easily when it comes to make the best use of their own personal financial matters. The danger of poor self-financial control is contended as one may spend more than his/her income, leading to the person having too much debt and possibly becoming financially distressed, which will ultimately lead to financial bankruptcy. In Menzies (2013) a three-level FL skills matrix is highlighted as:

Table 2.5 Financial literacy skills matrix

Skills	***Level of financial activity***
Specialist	Derivatives & portfolio organisation
Occasional	Pension planning, wills, investment & mortgages
Everyday	Saving & spending, income & budgeting, understanding interest rates & banking, insurance, debt management, credit cards and consumer rights

Source: Menzies (2013)

Shahrabani (2012) affirmed that the lower level of FL can lead to poor budgetary controls. Shahrabani's analytical model has shown a higher positive attitude towards budgeting and personal financial management driven by a higher level of financial knowledge. Respondents who have shown the ability to maintain adequate financial records tend to spend less than their income, maintain adequate insurance cover and successfully avoid debt accumulation. Similarly, maintaining a proper FL skill may reduce negative feelings of anxiety, stress and fear associated with the consequences of financial debt. Bank and Oldfield (2007) have shown a correlation amid poor FL and less saving and out of control credit usage. An adverse effect of lower or nil FL was one of the primary causes of the recent financial crisis of 2007/08, as borrowers were unable to understand the implication of numerous financially engineered products which were prone to interest rate sensitivity etc. This led them to accumulate unprecedented amounts of personal debt, affected their family life and led to the loss of savings and investment for retirement (cf. Vieira, 2012).

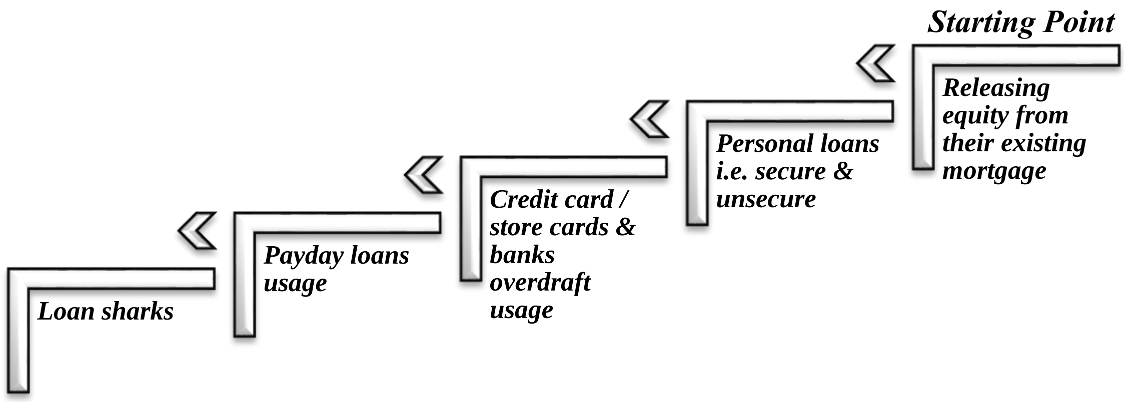
Similarly, Gerardi *et al.* (2010) investigated whether borrowers' FL, e.g., their numerical ability, may have played a role in the subprime mortgage crisis, and stated that their results raise the possibility that limitations in certain aspects of financial literacy played an important role in the subprime mortgage crisis. Some scholars have made an intrepid effort to evaluate the linkage between a low level of FL and overall stability of the stock market. Van Rooij *et al.*'s (2011) affirmative works in the Netherlands studied the relationship amid ordinary families' FL levels and stock market involvement and reported a negative correlation amid financial literacy and stock investment by such families.

Consistent with these results, Vieira (2012) argued that, avoiding the apparatuses of the wider FL, e.g. understating interest rate sensitivity, balance sheets and general banking products, can cause serious problems oscillating from ineffective operation of financial markets, adverse panic and even financial crisis. Gallery and Gallery (2010: 47) highlighted the need to rethink the scope and nature of financial literacy initiatives and programmes from a number of stakeholder perspectives. Firstly, from *the individual investor perspective*, as, due to their poor FL levels, ordinary investors failed to comprehend the commercial risk associated with various investment types and asset allocation options which were central to investment decision-making. Secondly, from *the institutional investor perspective*, as the growing intricacy of financial products and short-termism displayed by these companies suggests that the level of understanding of those corporate chief executives was no match for increasingly complex financial engineering products.

Finally, from *the regulatory and policy maker perspective*, as complex financial products originating from financial engineering, combined with individuals' poor financial literacy, have opened gaps in consumer protection that need to be addressed through better market regulation and a renewed focus on consumer education. A study by Schooley and Worden (2010) contended that families in the pre-crisis era, due to their naivety with regard to FL, were of the belief that it is all right for them to borrow for vacations and other luxury items due to an anticipation of strong future earnings and high equity in their houses.

However, this reliance on indebtedness has a duel negative impact for both customers and their banks, as, from a UK perspective, personal indebtedness reached an all-time high of £232 billion in June 2008, which implies that the UK banks were particularly defenceless to bad debts when unemployment started to creep up coupled with a decline in housing prices. Individuals in the post-crisis era, having to content with higher living costs, have incurred significant pressure on their personal disposable income - which has ultimately triggered a waterfall effect (see Figure 3.2), e.g., to bridge the gap in personal disposable income, they have turned towards personal loans followed by more expensive forms of credit usage such as credit cards and personal overdrafts. Ultimately, when all the borrowing resources have dried up, customers have turned to the payday lenders and loan sharks, where they have to pay up to 200% interest per month. This has further increased their monthly outgoings with the potential to sink them deeper into debt.

Figure 2.1: The waterfall effect



Source: Own research

The following paragraph details some facts regarding the poor indebtedness situation amid UK customers. Total credit card debt in November 2009 was £54.7bn. The UK collective credit limit on credit cards is £158bn, which is an average credit card limit of £5,129 per person (creditaction.org.uk, 2010). Total UK personal debt at the end of November 2009 stood at £1,459bn. The twelve-month growth was 0.7%. Total secured lending on dwellings at the end of November 2009 stood at £1,232bn. The twelve-month growth rate rose to 0.9% (creditaction.org.uk, 2010). Average household debt in the UK is £9,016 (excluding mortgages). According to the Credit Action (2010) this figure increases to £18,784 if the average is based on the number of households who actually have some form of unsecured loan, whereas an average household debt in the UK is £57,888 - including mortgages.

Schooley and Worden (2010: 266) stated that, in the pre-recession era, the banks actually lent to the public in order to satisfy their spending urge; however, they were not concerned about the customers' personal disposable income and their "excessive household debt which contributed to the worst recession in decades". Researchers have contended that financial hardship not only harms the individual and their family but society as a whole suffers due to their extreme indebtedness, which ultimately results in debt management plans (DMPs) and bankruptcies. This is further highlighted by the fact that, between November 2009 and February 2010, there were approximately 787,500.00 people in the UK with DMPs (cf. Gritten, 2011 for a detailed review). Surprisingly, in the pre-recessionary era, credit was even seen as an alternative form of income and “daisy chain” was a common practice, which means paying off one credit card or existing loan balance with another credit card (Phau and Woo, 2008).

In this regard, a study by Demery *et al.* (2006) heighted another sobering reality, that most children will follow in the footsteps of their parents. This shows that the necessary behaviour of taking out a loan or using credit of any nature will lead to a more tolerant attitude by the time they are grown up. Unfortunately, there is no quick fix for coming out of the recent financial crisis for the UK; banks and policy makers must incorporate the values and concept of long-term orientation towards savings and the implication of debt through FL, ensuring customers are not given any false hope or idealistic expectation towards future earning and spending. Berwick (2004) stated that traditionally, during an economic slump, individuals would pick their saving to bridge the gap between income and monthly outgoings, but, over the recent years, as the UK has not been a nation of savers; many households have no financial cushion to ease the pain of higher outgoings.

Interestingly, as stated by McKechnie (1992), the most common choice of criteria desired by the British public when selecting a bank to deal with are: availability of loans and credit followed by their belief in the bank staff’s professionalism. In an early study, Browning and Lusardi (1996) stated that customers’ behaviour regarding credit and debt consumption was very much institutionalised in our society and there is a high patience and normalisation towards debt. More recently, Schooley and Worden (2010: 274) have stated that due to the lack of FL families are unable to understand the pros and cons of using revolving and non-revolving credit facilities and often end up in financial chaos. Moreover, the United Kingdom has not been a nation of savers; many households have no financial cushion to ease the pain of higher outgoings. Gritten (2011) put forward a compelling argument that, overall, YouGov’s numerous data strands all point towards an extraordinarily disturbing picture regarding the lack of adequate savings amongst UK householders; June 2010 data shows that “1 in 5 people have less than £500 in liquid savings, with a further five in ten of the population having less than £10,000 that is easily accessible. That is an astonishing seven in ten people who are less than a few paydays away from personal financial disaster”.

In response to this, to encourage the future generation towards FL, in this post-crisis era, the UK banks need a new perspective. There is a need for a 360-degree approach, which is to cultivate in their customers the appropriate attitudes and skills towards money, as well as the confidence to use those skills. In this context, in their affirmative work in Australia, Gallery and Gallery (2010) stated that "It is important to recognise that, like general literacy and numeracy, financial literacy is not an absolute (i.e. you are or are not financial literate); rather, financial literacy can be measured on a continuum ranging from little or no understanding of financial matters to highly sophisticated financial literacy".

However, in the UK, 90% of adults have had no formal education on how to manage their money, while 800,000 school leavers think an ISA is an iPod accessory![4] Hence, the major emphasis by UK banks of all magnitude should be on educating their customers regarding the implication of debt and the importance of saving, as the "*buy now pay later"* mentality seems to be very much prevalent in our community. This mentality has proved to be disastrous and was exposed when the country was hit by the financial crisis of 2007/08, which was followed by the large consumer credit losses. In the following section a detailed discussion of prior literature on regarding complaint handling reviewed as complaint handling the fourth dimension in the firm-level trust repair model.

2.11 Complaint handling

Despite the large and still growing literature on complaint handling, the majority remains unclear. While satisfactory complaint handling is being documented in RM domains as an antecedent to customer satisfaction, trust, future intentions and even loyalty, negative service encounters may play a huge part in customer defection (cf. Varela-Neira *et al.* 2010). A study by Casado *et al.* (2011) makes a credible case in this regard and argues that modern customers are more demanding towards service providers due to the ample choice available. While this change is predominantly more obvious in the retail banking industry, in response, many service providers are making progressive efforts to limit customer defection via improving their service recovery effort. Similarly, Colquitt *et al.* (2001) have reported a positive linkage between organisational justice with trust and perceived trustworthiness of the service providers. Service

[4] An ISA is an individual saving account with a tax-free saving facility available in the UK to any one from their 16th birthday, available at *http://www.rbs.com/content/dam/rbs/Documents/Sustainability/moneysense-report-2008.pdf*

recovery or complaint handing have been largely grounded in the customer justice literature as the second encounter and, in order to understand the sway of post-complaint behaviour, researchers have utilised justice perception as the main framework for explaining customer satisfaction in a service recovery context (cf. McColl-Kennedy and Sparks, 2003).

In contrast, Varela-Neira et al. (2010: 90) argued that "the frequency with which the company's response to the failure is what impacts customer's subsequent attitudes, instead of the failure itself". In this regard, Bitner *et al.* (1990), to whom more recently Casado *et al.* (2011: 33) have explicitly referred, stated that poor service recovery is a "double deviation", which "represent[s] consumption experiences in which customers doubly face a service failure: the initial service failure plus the failed service recovery". In a service delivery context, the complaint handling or service recovery being rigorously followed through the justice perception is a multidimensional concept which is divided between one and four independent-dimensional constructs. These are distributive justice, procedural justice, interactional justice and informational justice. Yi and Gong (2008) posit that, like employees, customers do form justice perceptions in a service encounter, which is perceived as the ability of the firm to deliver what is being promised.

Earlier research has also examined its effects in relation to word-of-mouth, customer satisfaction, trust, grievance handling and future buying intents. In any service failure, customers observe an element of unfairness; in response, they expect corrective actions from the service provider and subsequently make judgements regarding the service provider recovery efforts which ultimately influence customer satisfaction (see Varela-Neira *et al.*, 2010, for a full review).

In Contrast, Casado *et al.* (2011: 35) have stated that "the three dimensions of perceived justice affect post complaint customer behaviour". *Distributive justice* refers to the degree to which customers feel they have been compensated fairly with respect to the outcome of the service failure; *procedural justice* refers to the perceived fairness of the policies and procedures used by the organisation to reach a decision in the recovery process; while *interactional justice* refers to the extent to which customers are being treated with honesty and dignity in their interactions by the firm's employees. Finally, *informational justice* refers to the explanation of the cause of the problem (see Yi and Gong, 2008, for a detailed review). In this regard, previous research has involved different aspects linked to individual dimensions of justice, as shown in Table 2.6.

Table 2.6: Justice dimensions

Dimensions	*Involved principles*
Distributive Justice	Compensation
Procedural Justice	Responding to an unusual request, efficient service, low waiting times and helpful service employees
Interactional justice	Employees' friendliness, empathy and understanding, taking a genuine interest in the customer

Source: Bowen *et al.* (1999)

A study by Di *et al.* (2010) has stated that customers with higher perceptions of justice would have higher levels of trust in organisations and modern firms if they treat their customers as importantly as their employees, as they are far more cognisant than their predecessors with regards to each and every move made by the firm - which could affect their behaviour in real time. In a similar vein, Yi and Gong (2008) postulated that much of the recent literature on customer management focuses on managing customers as a human resource – a management aspect in order to advance their customer citizenship behaviour and limit the negative effect of customer dysfunctional behaviour. Their seminal work is of profound interest in the post-financial crisis era as the general public in the UK is being miss-sold or cheated by their main banking providers and not being treated fairly following these trust violations. Hence, customers have reacted angrily by punishing the banks through the withdrawal of their deposits – which is a form of customer dysfunctional behaviour. In this regard, the present study has accommodated all three dimensions of justice perception in the survey questionnaire. Further, in the following section the importance of front-line employee engagement has been highlighted, as this first line of defence plays a very important role in the service quality literature to reinstate customer trust.

2.12 Perceived front-line employee engagement and firm level trust

Front-line employee (FLE) engagement is another important factor being highlighted in the service quality literature to improve service quality and a key driver for customer trust in relationship exchanges. In a service-driven industry context, such as a retail bank, the FLE plays a very vital role; since customers build trust with an organisation's frontline employees rather its executives (Reichheld, 1993). A study by Scotti *et al.,* (2009) reported that FLE can shape customer perception of service quality in an organisation. While, in the relationship marketing perspective, this first line of defence plays a vital role to limit customer defection (Berry, 1995). More recently, researchers have investigated the relationship between *organisational trust* and several *positive work outcomes*, i.e., based upon a strongly rooted theoretical framework, Sirdeshmukh *et al.* (2002) found that FLE behaviour is the most important and key driver for customer trust in relationship exchanges. A study by Laschinger *et al.,* (2000) reported a positive relationship between staff engagement and organisational effectiveness.

Similarly, employee engagement has been linked with many positive job outcomes such as job satisfaction and performance (see, Ugwa *et al.,* 2014, for full review). A study by Anitha (2014: 310) highlighted the determinants of employee engagement as, "workplace wellbeing, compensation programme, team & co-worker relationship, leadership, working environment, policies & procedures, training and career development". However, during the quantitative phase of the study, the researcher was denied by the banks & building societies to be provided with any subjective data regarding the above mentioned variables regarding their FLE's (see, Chapter 7, research limitations, for further details). Therefore, in this study the researcher has opted for to use *staff responsiveness* as a proxy for measuring the staff engagement level; as previous research has stated that "engaged employees go beyond the call of duty to perform their role in excellence" (Anitha, 2014: 308). Similarly, Salanova *et al.*, (2005) also stated that, when employees are highly engaged, it is expected that they will perform well with customers, leading to favourable customer evaluations of the organisation.

Furthermore, the theoretical interest of the proposed research in FLE engagement is also motivated by the argument that employee engagement will reflect upon customer satisfaction, which is an antecedent of customer trust (Evanschitzky *et al.* 2011; Brown and Lam, 2008; Schlesinger and Heskett, 1991). In addition, Gillespie *et al.* (2014), while reflecting upon the case study of the British water supply company Severn Trent's efforts to gain legitimacy after a major fraud scandal in 2006, have reported that "… trust repair is facilitated by re-establishing a positive organisational identity amongst the workforce" as it has enhanced the employees' perception of integrity-based trust for the firm. Similarly, a study by Comm and Mathaisel

(2000: 43) stated that "employees' satisfaction with their jobs is as important as customer satisfaction for the results of an organization"

Moreover, the use of *customer evaluation* of employee's performance is not a new phenomenon in service marketing. As a study by London and Smither (1995) reported app. 60% of the firms surveyed gather employee's performance scores through internal or external customers. Milliman *et al.,* (1995) reported that in 360^{o} appraisal system, external customers are now being included in performance appraisal programs in different service organisation. Similarly, a study by Lambert *et al.,* (1997) highlighted the essence of customer rating's and reported that customers are likely in a better position to observe the FLE behaviours in service settings.

In addition, in service quality literature the linkage between employee satisfaction and customer service is well evident (see, Silberstang, 1995) as the researcher reported a more helpful and diligent behaviour by the satisfied employees. Likewise, Cranny *et al.,* (1992) through path analysis has also reported that work satisfaction significantly influence job performance. In the present study *staff responsiveness* variable has been adopted from the SERVQUAL model of Parasuraman *et al.* (1988) as the researches have used *responsiveness* among other dimensions for measuring service quality. Therefore, in the present study two items *willingness to help* and *politeness* has been adopted from SERVQUAL model (Parasuraman *et al.,* 1988).

2.13 The consequences of integrity and competence-based violations in the financial services industry

The financial crisis has unravelled several serious frauds within the financial industry, revealing a mixture of integrity- and competence-based violations which has reduced trust towards financial institutions to its lowest level ever, with no sign of recovery (Guiso, 2009). By utilising survey-based information, Guiso (2009) reported a link between "trust and cheating" or the worsening public trust towards their banks due to these integrity- and competence-based violations, e.g., frauds committed by Bernard Madoff and the highly publicised securities scandal followed by the bankruptcy of Lehman Brothers. Kim *et al.* (2004, 2006) refer to integrity-based violations as the trustee's intentional defilement of an agreed business standard, which is least acceptable to the trustor, and when an organisation or its agents lack integrity they will lie and act dishonestly for self-gain.

Williamson (1996) also noted along these lines and reported information asymmetry or hidden actions on the part of trustees as integrity-based violations, while competence-based violations refers to the lack of proper training and product knowledge essential for the job. Poppo and Schepker (2010) stated that proper procedures, monitoring and controls are essential to curb competence-based defilements which can directly affect public confidence towards an organisations products and services, whereas integrity-based violations will affect the organisation's future survival and are extremely difficult to recover from. A study by Gillespie and Dietz (2009) stated that public trust is easy to abolish and enormously difficult to develop between an organisation and its stakeholders. Similarly, Poppo and Schepker (2010) expressed that it may take years for an organisation to cultivate trust but it can vanish following a single immoral or untrustworthy action. The researchers have further argued that it is highly crucial for the firm to understand the *type/nature* of its trust violations, as that should guide its appropriate recovery actions.

In this regard, Gillespie and Dietz (2009) argued that integrity-based violations are more damaging than competence-based violations; likewise, Kim *et al.* (2004) reported that the general public will weigh integrity-based violation more seriously than competence-based, as integrity violations will have a far more negative effect on a person's willingness to trust compared to competence-based violations. Guiso (2009) argued that, in the summer of 2008, the key performance indicators were indicating a slowing down of the economy, but there was no relevant shock to productivity to justify the observed subsequent drop in economic activity as interest rates were lower and demand was stagnating.

However, it was the collapse of public trust which was responsible for the worsening in economic activity in October 2008 and ultimately the general public had a run on their untrustworthy banking providers. The author has also argued that, due to the lack of trust, the public will be reluctant to enter into any kind of financial contract, especially investment in stocks and high-risk assets. Therefore, portfolios will likely be twisted towards safer securities and away from stocks. In the following section, different trust repairing model will be reviewed and gaps within the extant literature will be discussed in detail.

2.14 How to repair the firm-level trust

Poppo and Schepker (2010: 124) anchor their definition of public trust as the degree to which external stakeholders hold onto a shared trust orientation towards an organisation. As the recent global financial crisis triggered a massive trust failure at a systemic level and a concomitant rise of distrust among the general public, organisations must know the public's trust orientation, otherwise, they risk failure in repairing trust (Schwartz and Gibb, 1999). While previous research has observed organisational trust with main stakeholders, including determining trust within an organisation (Shockley-Zalabak *et al.*, 2000), little research has examined how organisations can repair trust with the general public (Poppo and Schepker, 2010, Dietz and Gillespie, 2012): "few economists discuss how to rebuild trust in firms and markets, probably because it is invisible and difficult to measure" (Richardson, 2012: 1). Similarly, Xie and Peng (2009: 574) have argued that, in the context of consumer-company relationships, research on repairing consumer trust after harmful corporate events is still limited.

Kramer and Lewicki (2010: 250) stated that the research on trust and trust repair is decidedly split and incomplete. The researchers have further highlighted that the major issue starts with the definition of trust, as the restoring effort will dwell on that particular conceptualisation from where the concept of trust stems, e.g., if trust is viewed as a cognitive occurrence, the repair effort will focus on changing the cognition but may not inevitably address the emotional and behavioural features. In this regard, Kramer and Lewicki (2010) reported three different perspectives, i.e. attributional perspective, social equilibrium and structural perspective, to repair trust. In the *attributional quadrant*, a firm's repair efforts can be diverted towards changing one's negative feeling towards positive feelings; secondly, either to restore the *social equilibrium* which was upset due to the trust violation; and, finally, to promote a *structural change* where positive exchange will be rewarded and discourage the negative exchanges.

The researchers have also stated that none of these trust-repairing efforts are essentially theoretically superior to another. In a similar vein, the two conceptual frameworks, both published in the *Academy of Management Review*, address the question from alternate perspectives to repair organisation trust *following a major integrity violation*. Pfarrer *et al.* (2008) outline a process of "reintegration" with stakeholders after a corporate fall from grace (i.e., a corrupt or unethical act). They draw primarily on stakeholder theory, image management, organisational justice and crisis management. They define reintegration broadly as the process of rebuilding legitimacy in stakeholder relationships damaged by the organisation's wrongdoing. Gillespie and Dietz (2009) propose a process for restoring trust following an organisational-level failure, drawing on trust, crisis management, strategic change, systems and multilevel theory. There are clear parallels between the frameworks: they both focus on closely connected concepts (legitimacy and organisational trustworthiness, respectively); also, both are deliberately normative, outlining a four-stage process with complementary actions. Yet each emphasises different aspects of the process and makes unique propositions. These frameworks are in their infancy in terms of empirical tests and field examinations of their propositions.

2.14.1 The Reintegration Model

The process of reintegration and rebuilding stakeholder confidence following a transgression is multi-faceted. Pfarrer *et al.* (2008: 731) propose a four-stage model which states that the process of reintegration is one which "requires a number of complex and sequential actions that are designed to address changing stakeholder questions and concerns". They highlight essential "organisational actions that potentially increase the speed and likelihood that an organisation will restore its legitimacy with stakeholders following a transgression". The model consists of four key stages: "Discovery," "Explanation," "Penance" and "Rehabilitation."

The first stage comprises "an open approach to discovering the facts of the transgression" where there is voluntary disclosure of wrongdoing, an open investigation and cooperation with stakeholders. This is followed by "clearly explaining the causes of the transgression", thereby acknowledging the wrongdoing, accepting responsibility and expressing remorse. This must be done in an honest and forthright manner, in order that any "penance and punishment" is accepted by the stakeholders. The final stage involves "making substantive rehabilitative reforms to all aspects of the organisation's internal processes and external image". An organisation is more likely to be successful at reintegration if it responds to the demands of its most prominent stakeholder groups, such as those that have "the most power, legitimacy or urgency of claims". Pfarrer *et al*. (2008) group stakeholders into three categories: "Elite and active" stakeholders, those with the most interest and influence to shape the narrative of the scandal, followed by the "Attentive and aware," and, lastly, the "Latent and inactive".

Stakeholders in each category may change depending on the type of transgression and the stage of reintegration. Successful reintegration requires a discourse between these various stakeholders, during which key questions and demands are prompted, shaping opinion, which naturally leads to a condition of "concurrence", whereby "a generally shared opinion amongst stakeholders regarding the transgression and the appropriateness of the organisation's actions" is agreed upon.

It should also be noted that Pfarrer *et al*. (2008: 733) also state that it is not essential for the stakeholders to reach a unanimous agreement, as long as a "dominant opinion" or "threshold agreement" is reached. This process is crucial to the effectiveness of the reintegration process as the consequence of stakeholders deeming the organisation's actions to be inappropriate may involve the withholding of support and the demand for further action, whereas concurrence facilitates progress to the next stage. In order for an organisation to achieve successful reintegration, it is of paramount importance that the organisation effectively addresses critical stakeholder questions at each of these four stages.

2.14.2 Corporate Trustworthiness Repair Model

Xie and Peng (2009) employed a fusion of affective, functional and informational effort to rebuild a corporate image of a trustworthiness model, in a scenario-based experiment design. The results were two-fold, as these efforts have elevated corporate trustworthiness and also played a key role in earning customer forgiveness. Predominately, the affective efforts were the most prominent in restoring corporate integrity and benevolence after negative publicity. Similarly, to elevate the competence dimension of corporate trustworthiness the firms should put emphasis on informational efficiency. In addition, "it was ineffective for firms to communicate organisational goodwill only through functional repair, as suggested by the insignificant effect of functional repair on integrity and benevolence" (Xie and Peng, 2009: 586). Moreover, the firm's competence assisted the formation of customer forgiveness.

2.14.3 The Organisation-Level Trust Repair Model

Gillespie and Dietz (2009) have pulled apart the concept of *trust repair effort* from an interpersonal or *micro-level* (where individuals know each other face-to-face) to an institutional level or *macro-level*. Similarly, the work done by Poppo and Schepker (2010) is quite consistent with Gillespie and Dietz's findings. They have argued that it is the response level which differentiates between the two, because the response level will be more intricate than simple denial or acceptance of the trust failure at a macro-level. As Gillespie and Dietz (2009) suggest *interpersonal strategies* to re-establish workers' trust failure following a competence defilement, this strategy cannot be applied to general public trust as they lack an intimate, direct relationship with the organisation (cf. Poppo and Schepker, 2010; Bachmann and Inkpen, 2011). However, certain lessons can be learned from the face-to-face exertions, which is an arguably silent area (Kim *et al.* 2004), and, as espoused by Myers *et al.* (1995) these approaches mostly stem from the psychological paradigm, face-to-face interactions between the trustee and trustor. Since the start of the financial crisis of 2007/08, the UK banking industry has gone through seismic changes, i.e., bailouts, mergers and nationalisation.

These changes have led to much rebranding and repositioning on the market. A major policy focus has been to shift general public negative perception towards favourable attitude via costly advertising campaigns and product rebranding. However, "still the UK public is reluctant to trust the UK banks and unfortunately, a spate of conduct scandals ranging from LIBOR to money laundering have overshadowed this steady and material improvement" (Carney, 2013). The UK banks are eagerly trying to improve customer satisfaction; however, Reichheld (1996) argued that even satisfied customers may defect and decide to switch banks. Ndubisi (2007) stated that, therefore, in order to retain satisfied customers, banks must look further than satisfaction, to other significant variables such as trust, as trusting customers are needed in order to retain a business relationship

To foster a trust-building process in an inter-organisational relationship Bachmann and Inkpen (2011) proposed a four-step logical mechanism, namely: effective legal systems, corporate reputation, standardisation and community norms, structures and procedures. Organisations cannot actually trust each other, trust is between individuals or inter-organisational relationship which bring different individuals together and this individual relationship do not start afresh (MacDuffie, 2011) but rather on a foundation of aforementioned variables. The *legal regulation* act is an antecedent belief of formal rules of business behaviour, where the trustee and trustor can mutually adhere to a common understanding of what are the basic premises of their relationship. In contrast, *corporate reputation* is an informal behavioural standard, which in fact makes the future behaviour of the institution and their agents more foreseeable and trustworthy. Meanwhile, *standardisation* will eventually reduce risk and promote confidence amongst the business parties.

Lastly, *community norms, structures and procedures* will act as a third-party guarantor between the parties. Bachmann and Inkpen, (2011) stated that, for instance, on eBay or in e-commerce where there is minimal face-to-face interaction between buyers and sellers, norms, structures and procedures in a business community make individual as well as collective behaviours more predictable and thus lower the inherent risk of trust. Although breakdowns of trust happen often between the general public and organisations, a deeper understanding of the theoretical process that enables and repairs trust has rarely been investigated (Ferrin *et al.*, 2007; Roy and Shekhar, 2010), and especially in the case of organisational trust , which is the least understood area within trust research (Bachmann and Inkpen, 2011). However, more recently, a plethora of research keeps on building to identify ways in which organisations can rebuild trust following breakdown. Amid all the characteristics of the trust repair works (Poppo and Schepker, 2010), the most serious is the "role of the nature of the violation" which will ultimately affect a firm's repair efforts.

Researchers have further argued the need for a critical mechanism which firms must employ to probe trust violations, for instance, either to accept or to deny the responsibility. This usually depends upon the nature of the transgression followed by communication with stakeholders and ultimately procedural changes to prevent future violations. Dietz and Gillespie (2011, 2012) were among the first to devise the organisational-level trust repair (OLTR) framework with a specific focus on repairing employees' trust in an organisation. In a subsequent study, however, Gillespie *et al.* (2012) take exception to the idea that OLTR can also be equally beneficial to repair system trust. They caution that, due to the systemic trust failures, it is dubious that only interpersonal actions would be sufficient to repair the damage caused to the wider institutional framework. The Dietz and Gillespie (2012) framework is predominantly based upon the components of organisational trustworthiness. Gillespie *et al.* (2012) cited the following levers for repairing trust, which have been adopted from the OLTR.

(a) **External governance.** External governing structures and rules, such as legislation and regulatory mechanisms, can constrain an organisation's conduct. The institutional environment may, however, lack adequate constraining mechanisms or contain opportunities and even *incentives* for parties to engage in untrustworthy activities.

(b) **Strategy.** An organisation's strategy sends signals about its real values and priorities, and the degree to which employees are expected to act with integrity and benevolence towards stakeholders.

(c) **Structures, policies and processes.** Structures clarify checks, balances and the delegation of responsibility and authority. Together with processes for decision-making, communication, and employee management, structures set explicit parameters around incentives for certain behaviours.

(d) **Culture.** Organisational culture and sub-cultures influence the understanding of organisational actions and events which lead to shared ideologies, values and norms, which in turn can exert strong pressure on employees to act in untrustworthy ways and justify questionable behaviour.

(e) **Leadership and management practice.** By virtue of their status as role models, and through their influence over other system components, managers at all levels send signals about 'what is expected' of employees, including whether untrustworthy behaviour might be tolerated.

(f) **Public reputation.** Public reputation for trustworthiness is influenced by stakeholder evaluations, by employees, customers, shareholders and the media. Included in this are judgements about the firm's products and services, its standing amongst the industry and stakeholder networks, and its treatment of stakeholders. Based upon the above, Gillespie *et al.* (2012) recommended six trust-repair strategies which are essentially embedded into the aforementioned levers of repairing organisational trust. These are listed as follows.

(g) **Strengthen external regulation.** Recently there has been a tremendous debate about how to strengthen institutional trust and the World Bank, IMF, US Government and G-20 Basel III Committee have proposed several new recommendations; for instance, in the US the regulation of over-the-counter derivatives, creation of a consumer protection agency, investigation into the conflict of interest between rating agency and banks followed by tighter regulations for securitisation products among others. Likewise, European Countries have also introduced new rules and regulations to monitor systemic risk at the EU and international fronts, followed by challenging the bonus culture in the banking industry and supervision of the credit rating agencies.

(h) Change the way boards function. Gillespie *et al.* (2012) have argued that there are calls to increase shareholders' power to make board members more accountable. More broadly, there are demands for regulation to split the role of CEO and Chairperson to provide a check on power and to incorporate independent and professional board members in order to strengthen shareholder representation. In a relative vein, the US Government has empowered shareholders through legislation, to vote on executives' compensation. Disappointedly, this voting power is non-binding and there is no clear evidence that companies are pursuing other recommendations, which actually hampers efforts to restore institutional trust.

(i) Changes to mission and strategy. After the passing of the immediate crisis, banks were forced to strengthen liquidity and, under the new Basel III agreement, banks were supposed to increase their capital reserve to withstand stress tests. Hence, regulators across the globe are trying their best to break up the One Stop Banking model and trying to curb the "too big to fail" phenomenon by encouraging banks to rethink their aims and strategy by separating retail banking from investment arms.

(j) Change incentives. An important lesson from the recent financial crisis was to restructure the incentive scheme. "Of course, no compensation package can fully align the incentives of banks shareholders and its risk-takers, even if such a package could be devised it would not internalise the impact of individual action on systemic risk and trust on banking systems"(Carney, 2013). However, it can tie more closely to the mutual interest of shareholders and CEOs, coupled with abolishing the target-oriented culture and replacing it with an attitude which prioritises sales through service.

(k) Changes to leadership and management. To restore trust in banks, boards and senior management must redefine clearly the purpose of their organisation and promote a culture of ethical business practice throughout. It is of utmost importance to bring about a real change to the leadership style by making it more interactive rather than the leader being just someone who can influence others (Werhane *et al.* 2011: 418): "When firm leaders understand themselves to be working together in a cooperative relationship with employees and enact this role within the firm's internal operations, their efforts to develop a climate of shared value and purpose may offer a significant bulwark against distrust”.

(l) Foster cultural changes. Gillespie *et al.* (2012) are quite optimistic that different stakeholders have shifted their mind-sets to prevent future crisis. Building on this idea, Mark Carney (2013) has come to the similar conclusion that global banks have made significant progress in reforming their compensation practices and fostering a cultural change; however, banks need to participate in reform and not fight it. Similarly, Conley (2011) argued that, irrespective of how a trust failure occurs, breaching trust in any affiliation is a serious aberration and, when a breach of trust occurs, there are five steps a leader should take to repair the deteriorating relationship. Conley (2011) also devised the ABCD Trust Model to deliver a common language an individual can use to nurture trust in an ailing relationship:

1. **Acknowledge** – when organisations lose contact with end users they may not be able to acknowledge the problem in the first place and the longer they wait to address the situation, the greater the increase in customer dissatisfaction and distrust.

2. **Admit** – depending upon the trust violation, organisations may shy away from accepting integrity violations but may acknowledge competency issues, as they are hard to cover and can be pinpointed towards the incompetent organisation. However, admitting errors will pay great dividends down the road to recovery.

3. **Apologies –** a sincere apology involves admitting our errors, which must be coupled with taking steps to making amends to the trustor. Different studies have shown the helpfulness of apologies and denials in diverse conditions (Kim *et al.* 2004). However, conducting an inquest into why something went wrong might be essential, but knowingly shifting the blame onto others will further erode trust.

4. **Assess –** one must try to separate the cause and effects in order to establish where the breakdown in trust happened while investigating trustworthiness clues. Conley (2011) proposed the ABCD Trust Model to establish the type of trust violation in order to signal trustworthiness clues accordingly.

a. ***Able*** or to exhibit ability/competence – the first component relies upon the necessary knowledge and skills need to get the job done. By demonstrating competence others will be inspired to trust. However, since 2007 (Carney, 2013) "bank competence has been supplanted by questions of conduct. Several major banks have been charged with criminal activity, including the handling of financial benchmarks, such as LIBOR, money laundering, unlawful foreclosure and the unauthorised use of client funds".

b. ***Believable*** or exhibit Integrity – honesty is the core value for any relationship and to reflect trustworthiness one must uphold their word and maintain consistency within their words and actions.

c. ***Connected*** or care about others/benevolence – clients do not care how knowledgeable one is until they know how much one cares about them.

d. ***Dependable*** or maintain reliability – one of the fundamental requirements to foster trust is to ensure that one fulfils one's commitment and, therefore, project reliability in order to gain customer trust. Knowing the specific element of trust one has violated will help one take specific actions to fix the problem

5. **Amend** – finally, by taking corrective action to repair any damage that has been done, and creating an action plan for how an organisation will improve in the future.

2.14.4 Mark Carney's Five Cs Model

Mark Carney (2013), the current Governor of the Bank of England and Chairman of the Financial Stability Board (FSB), stated that the bonds of trust between banks and their depositors, shareholders, debt holders and regulators have been undermined by the unprofessional conduct of banks, which ultimately resulted in a significant loss of institutional trust. Unfortunately, "when trust in the system is lost, this process reverses, as depositors and investors become reluctant to provide funding to banks, banks to lend to other banks, and, in some of the most affected countries, both are sceptical of the ability of governments to backstop the system" (Carney, 2013). As a remedy, Mark Carney has proposed the "Five Cs Model", a combination of institutional and individual initiatives to rebuild trust, the elements of which are detailed below.

a) **Capital.** In 2007, key banks across the United State and Europe either failed or had to be bailed out with the aid of state intervention. Capital injection by different central banks prevented a total meltdown. Hence, when building a more robust financial system, strengthening the bank capital regime through higher minimums should be the primary priority. This is a prerequisite in the new Basel III agreement.

b) **Clarity.** On the eve of 2007, bank operations became increasingly murky; in some cases annual reports jogged over 400 pages, leaving customers drained but not well-informed. Better clarity will support effective market discipline and ultimately enhance market confidence in the overall banking system.

c) **Capitalism.** Perhaps the most fatal blow to public trust has been the perception of a "heads-I-win-tails you- lose" style finance. Bankers made enormous sums in the run-up to the crisis and were often well compensated after it hit. In turn, taxpayers picked up the tab for their failures.

d) **Connecting with clients.** Banking is primarily about intermediation, i.e., a link between savers and borrowers in a real economy. Regrettably, during the run-up to the 2007 financial crisis, banking models changed from relational to transactional; banking became more about banks connecting with other banks. The LIBOR scandal has provide further evidence that banks were only interested in numbers on a screen, as a game to be won, and utterly ignored the impact of their actions on their customers. Banks must go back to the core beliefs of good old-fashioned banking by reconsidering their current values and treating customers as their number one priority.

e) **Core values.** Mark Carney referred to Ed Clark's remarks as he stated that "the bank leaders created cultures around a simple principle: if it's legal and others are doing it, we should do it too if it makes money. It didn't matter if it was the right thing to do for the customer, community or country".[5] To restore trust in banks, financial institutions need to rediscover their values and they must see themselves as guardians of their banks. In doing so, Mark Carney argued that a top-down approach may not be adequate, unless each employee feels the broader purpose, grounded in strong relations with their

[5] E. Clark remarks delivered at the Bank of Canada Annual Economic Conference, *"Financial Intermediation and Vulnerabilities"*, Ottawa, 2 October 2012.

customers and the community they operate in. Werhane (2011) suggests that trust is the "glue" of any viable economy, as illustrated in section 2.1, the spill over effect of opportunistic behaviour by a few financial intermediaries and their agents will cascade a waterfall effect of distrust towards the whole of the financial industry and their agents. This lack of institutional distrust will ultimately slow down the economic growth.

2.14.5 Guiso (2009) Approach

To limit the effect of the recent banking crisis, Guiso (2009) examined some of the avenues which were proposed and were also adopted during 2009 to limit customer distrust.

a) **The regulatory approach.** After the recent financial crisis, European governments had to introduce tougher financial regulation to enhance institutional trust, limit banking bailouts and to curb the too big to fail phenomenon in the banking industry. In Europe, The Financial Stability Board proposed a cap on banking chief executives' compensation schemes to calm the angry investors. In America, this led to the creation of a Consumer Protection Agency to supervise consumer financial products coupled with the Financial Fraud Enforcement Agency to combat financial crimes. However, Guiso argues that, as these interventions are exogenous, financial firms may try to fight them due to the cost implications, which may defeat the object of the entire regulatory intervention itself.

   Further, these financial regulations may also be viewed as inconvenient by the investors, which may lead to the investors joining the firms in "cutting corners". For instance, the recent set of norms imposed by the EU market is the Financial Instruments Directive, which requires banks to treat investors according to their risk tolerance ability and financial knowledge. A questionnaire was devised which should be completed by the investors. However, to avoid any responsibility for mis-classification, banks have proposed a minimal questionnaire. Since filling-in these forms can be hard for investors, too, they have failed to take the appropriate level of care and attention to the quality of the questions. Thus, investors themselves were joining the banks in cutting corners and totally undermining the object of this regulation.

b) **An industry-based strategy.** Guiso (2009) reported an industry-based approach to reinstate trust in the one-stop banking model: firstly, by making the financial disclosure document easy to understand for the general public via a third-party intervention, namely a "bank fairness index", which will aim to measure the banks' efforts on a rating scale of 0-10 by providing help and advice when it comes to the sale of their financial products. Secondly, a trust-based compensation scheme, in which the managers' compensation package is linked to the level of trust financiers have shown in their financial manager.

This mechanism may work as a dual sword, i.e., managers will be deterred from cheating, while banks may have a higher share of the investors' wealth. Butler *et al.* (2009) argued for the investors' financial education, i.e., by making financial education compulsory within the school/college/university curriculums which will safeguard investors' interest in the long run. As Butler *et al.* have reported, people with low financial education bear the higher risk of being cheated by banks and insurance companies.

Poppo and Schepker (2010) reported the need for a structural and strategic institutional repair mechanism following an organisational failure. As the researchers have argued, communication would only be labelled as "cheap talk", as any organisation can apologise and issue a media statement after trust violation. Furthermore, Poppo and Schepker have warned that communication and apologies after an integrity-based violation may have a much greater negative impact on a firm's reputation, as by doing so the firm is ultimately accepting the responsibility for its wrongdoing, which may leave the door open for future financial losses in the form of law suits etc. Thus, to reflect a stronger commitment, firms must formulate strategic steps and may commit to limit any future violations. Prior research has put forward strategic efforts to limit such integrity and competence violations.

Gillespie and Dietz (2009) stated that integrity violations make it difficult for the trustor to trust the trustee as their honesty is put into question, while, in the financial services industry, structural institutional reforms may not deter fewer staff members from taking advantage of the more vulnerable public due to information asymmetry. However, organisations can restore public trust by removing such staff associated with the defilement due to their specific behaviour (Gillespie and Dietz, 2009: 137).

Whereas, in the likely event of a competence violation, as it may occur due to the lack of due diligence, incompetence or training-related issues. Poppo and Schepker (2010: 137) believes that, removal of incompetent staff may not resolve the situation but, rather, the firms should tighten their due diligence efforts to limit competence violations in order to "better direct and align employee activities, give the root problems that brought about the violation". Dietz and Gillespie (2011: 34) anchored their definition of an untrustworthy organisation as "in trust terms, the organisation has failed in its responsibility to meet reasonable standards of ability, benevolence and/or integrity in its conduct towards its stakeholders". They have reported two complementary strategies for repairing organisational trust.

Firstly, distrust regulation, i.e., the organisation needs to be self-regulated in order to limit future trust failures by revising reporting structures, adding new compliance procedures, revised job designs, by instilling a safety/ethical culture, training in best practices and re-designing incentive structures followed by sanctions for those who engage in untrustworthy behaviour, i.e., firing, demoting, loss of privileges etc. Secondly, by reflecting positive indicators of its trustworthiness, i.e., by acknowledging the responsibility, expressing regret over the failure, offering sincere apologies where appropriate and demonstrating concern for affected stakeholders alongside proactively offering reparations.

2.15 The Importance of Trust - Case Studies

In the last two decades, the world has presided over a period where once very successful organisations formerly cited as classic models of brilliance have nose-dived for one and only one reason: they have lost their stakeholders' trust as their integrity, competence and benevolence was put into question. Such recent cases include Xerox Corporation, BP, News International, Parmalat, Enron and numerous European & American banks, e.g., RBS, HSBC, Barclays, AIG, UBS, and Goldman Sachs etc. However, the course of trust restoration and rebuilding of the reputation can be arduous, but it is quite achievable, although it must be noted that certain repair efforts are more likely to succeed than others[6]. Following are a few of the most famous case studies across the globe where numerous trust violations have occurred, and

[6] These case studies are summarised from the seminal work done by Graham Dietz and Nicole Gillespie (2005) and published by *The institute of Business Ethics in the UK.*

these case studies have made quite evident how destructive the notion of untrustworthiness can be, while those who survived did so only by making timely decisions or else they risked disappearing from the market.

2.15.1 Xerox Corporation (1999)

On 3rd May 1999, the Xerox Corporation share price peaked at US$ 59.01 due to its two years of manipulation of books via dodgy revenue acceleration schemes. This financial misconduct has proven very costly and Xerox market capitalisation fell by US $5 billion the day the news was first reported to the investors; Xerox shareholders lost 67% of the total investment, as investors lost faith in Xerox management. The Xerox trustworthiness was questioned by its stakeholders and repeat sales dried up due to the lack of customer trust.

2.15.2 Parmalat (2003)

In December 2003, the Italian dairy company was declared bankrupt due to the financial misconduct and the violation of public trust by its top officers through false accounting practices. Parmalat executives cheated their investors by misreporting financial statements and lost all their credibility to raise new capital in order to sustain their operation. A study by Dervitsiotis (2003) stated that Parmalat dishonoured the three basic ingredients to maintaining their customer trust: sincerity, competence and care.

2.15.3 Mattel (2007)

Mattel's numerous product recalls are an excellent example of the depth and vigour of the senior leaders' response towards restoring customer trust. The problems started on July 2007, when a European retailer reported that different Chinese toys were coated with an illegally high level of lead-tainted paint which, if swallowed, could lead to severe health issues. To make matters worse, in August 2007 Mattel issued a separate recall notice for £2.8m worth of its own toys due to a design issue. Thus, Mattel was facing two different challenges, i.e., the hazardous production methods of Chinese suppliers and its own design flaw, which have undermined the company's competence and integrity all over. As a remedy, Mattel immediately stopped all the toy imports from China and then alerted other major retailers to the potential hazard. The company also started a media campaign to alert parents in order to stop their children from playing with the affected toys. To protect its integrity, Mattel began to inspect all its toys internally, which prevented or delayed two-thirds of the toys reaching the customers. Apart from these measures, to uphold its benevolence, Mattel voluntarily offered a replacement toy to all affected customers.

Thus, what Mattel appeared to do well was promptly alerting its customers and retailers via open communication in the media and the voluntary enactment of an internal monitoring system to limit the spread of the affected toys. These voluntary enactments have been widely applauded as being sincerely responsible. In this regard, Dirks *et al.* (2007) observed that, for firms to limit the competence-based violations, the positive effects of apologies, penance and self-imposed internal regulation tend to play a positive role. These findings are well in line with early research by Nakayachi and Watabe (2005), as the researchers have found that, across several contexts, the voluntary implementation of a monitoring system and self-imposed sanctions may help to restore customer trust after competence-based violations.

2.15.4 Toyota (2009)

On the 28th of August 2009, Toyota faced a huge crisis of trust when a brand new Toyota Lexus ES350 accelerated out of control in San Diego, which resulted in the death of all the passengers. Later, in April 2010, the National Highway Traffic Safety Administration fined Toyota $16.4m for failing to react to the highly publicised quality issues in a timely manner. In the automotive industry, recalls happen, which is quite acceptable by and plausible to the customer as, to their understanding, manufacturers are not ignoring their faults even after the sale of the vehicle. However, Toyota’s error was quite exceptional and a huge blow to the company’s trustworthiness, as it had to recall 8.5 million vehicles in 2004/2005/2007 and later in 2009 for numerous problems. To make matters worse, when Toyota finally issued a statement, two days after the San Diego crash, the company failed to acknowledge the root cause of the accident and did not warn other users until the 19th day after the fatal incident, after the National Highway Traffic Safety Administration submitted their report.

Finally, a month after the crash, Toyota recalled 3.8 million affected vehicles. Following the National Highway Traffic Safety Administration report, Toyota embarked on a series of fronts to defend the company’s quality and safety (which is quite consistent with Japan’s culture) rather than simply accepting the fault and stepping into the diagnostic phase. Due to this lack of transparency by the Toyota Company, the public was left in the dark. The company's efforts to defend its quality issues rather than accepting responsibility for its competence-based violations left the public frustrated; which hampered Toyota's efforts to limit customer distrust.

In an early study, Mohr and Nevin (1990) demonstrated that any information communicated by an untrustworthy vendor may be rejected, which was exactly the case for Toyota. For Toyota, the real phase of trust repair efforts started in October 2009, when the director, Akio Toyota, publically apologised for the tragic loss of four lives in Washington DC in person. Toyota has made numerous efforts to repair the reputational damage, e.g. the downsizing of a very centralised and mono-national board of directors from 27 to 11. The company has dedicated 20 test facilities worldwide for an independent expert evaluation of its cars' safety with optimism to not compromise quality for growth.

Most importantly, the company announced corporate and individual level penance, i.e., Toyota invoked a two-year cap on the bonuses of many top executives and reached an out-of-court settlement in September 2010 with the families of the San Diego accident. The Toyota case will be well remembered in history for a laidback response from a successful global corporation; however, the company could have narrowed its reputational damage with a timely response. Thus, from the above case studies it can be concluded that these trust violations included integrity, competence and benevolence breaches. Consequently, trust repair efforts such as apologies, explanations, communications and penances have also been highlighted in those case studies. While "…more severe and multiple trust violations are more difficult to repair as compared to a single trust violation" (Tomlinson *et al* 2004, cited in Kramer and Lewicki 2010:251), unfortunately, within the UK banking industry, multiple trust violations have been more prevalent since 2007 which has made trust repairing more difficult to tackle.

At this point, the study would like to redirect the reader's attention to Kramer and Lewicki's (2010: 268) metaphor, "should trust repair be more like gluing the broken Humpty Dumpty back together again, where the fractures and glue joints may still be seen, or is it a process more like restoration or healing, in which, fully repaired trust bears no visible signs of previous damage?". The researchers have further highlighted the need for a "pristine trust", which is after restoration the trust becomes less prone to future violations. Therefore, building upon this metaphor, the present study will introduce a robust trust repair model through which the retail banking providers will be able to regain their platinum reputation.

2.16 Gaps in the literature

A number of conclusions can be drawn from the above discussion with regard to business-to-consumer trust repair efforts. Although these theories provided valuable impetus in the domain of organisational trust repair, these efforts are highly fragmented and incomplete (Kramer and Lewicki, 2010:249). In addition, there remains “a notable lack of conceptual coherence to the existing research” (Kim *et al.*, 2009: 402). Thus, the body of research continues to suffer from a few critical limitations in the organisational trust repair domain. These are highlighted as the following and, if not addressed, are likely to hinder any trust repair efforts in the UK retail banking industry. The trust literature has investigated an assortment of tactics or models which may be used for organisational trust repair, e.g., The Reintegration Model by Pfarrer *et al.* (2008) and The Organisation-level Trust Repair Model by Gillespie and Dietz (2009). Regardless of their theoretical supremacy, the two models are confined to organisational trust repair after integrity violations. As the recent financial crises was a blend of integrity, competence and benevolence violations, therefore, there remains an opportunity to formulate a dynamic trust repair model which may collectively elevate the retail banking providers’ trustworthiness following these integrity, competence and benevolence violations.

The Gillespie and Dietz model is also limited to the trust repair efforts among organisations and their employees and the researchers have neglected the negative consequences of customer distrust. Therefore, the current research incorporated both internal and external stakeholders, i.e., the general public and the retail banking employees’ management nexus to address the issue of repairing trust. Similarly, both models (i.e. Pfarrer *et al.*, 2008 and Gillespie and Dietz, 2009) have profoundly focused only on the actions of the trustee that it might take to repair trust while portraying the trustor as a relatively passive observer. Thus, there appears to be a knowledge gap due to overlooking the trustor perception. Therefore, to overcome the limitations associated with the existing trust repair models, the current research combined both stakeholders’ views, i.e., the general public and the service providers through data triangulation.

In addition, Xie and Peng’s (2009) Corporate Trustworthiness Repair Model is entirely a scenario-based experimental design to generate consumer perceptions of corporate negative publicity and trustworthiness. In this regard, Pallant (2010) stated that, despite the wide application and obvious advantages of such experimental designs, they limit the external validity of the findings. Thus, such experimental designs lack generalisability and may not be applicable to the real world. The distinct aim of this research is to build a dynamic trust repair model in the domain of business-to-consumer interaction in the retail banking sector.

Therefore, it would be highly advantageous to pursue a *qualitative effort* in conjunction with a *quantitative approach* to add a more in-depth understanding into the domain of trust repair methods. In doing so, both customers and service providers have been encouraged to share personal experiences; for instance, on how their trust should be restored and what progressive efforts have been made by the service providers to limit the trust deficit respectively. As to date, published literature, regardless of its intense significance, has only used either a qualitative approach such as conceptual theory building (i.e. Mayer *et al.*, 1995; Poppo and Schepker, 2010) or quantitative methods, e.g. laboratory studies (i.e. Ferrin *et al.*, 2007; Schweitzer *et al.*, 2006) and scenario-based experimental designs (i.e. Xie and Peng, 2009), therefore, the existing trust repair literature represents an important theoretical gap which has been addressed in the present study.

Senge (1994) highlighted that an individual's values are a function of her/his own beliefs and customer trust is widely accepted as a belief held by individuals (Blois, 1999, 2003). Therefore, the UK banks can influence that belief by demonstrating that they are worthy enough to be trusted again endogenously (through a micro-level effort), rather being forced by the regulators (i.e., arm-twisting). Thus, there is an urgent need for a paradigm shift or a micro-level effort by the retail banking industry to directly communicate with and engage their customers and nurture a fresh relationship with them. Therefore, the proposed five-factor model has bridged and contributed to this knowledge gap by integrating the interpersonal and organisational trust repair efforts.

Unfortunately, the systematic review of the relevant literature in the domain of management and relationship marketing has failed to come across any particular work, to the best of the researcher knowledge, which may have systematically and conclusively formulated any model or survey instrument on how to repair business-to-customer level trust endogenously or a micro-level effort in the UK retail banking industry following the recent financial crisis. An exception to this is the work of Ennew *et al.* (2011) and Gillespie and Dietz (2009) regarding the concept of revamping the need for improving organisational trustworthiness among employees. Thus, it is very evident that there is a research gap to formulate a robust trust repair model to restore business-to-customer level trust in the retail banking sector following the recent financial crisis and subsequent financial scandals.

The subject research attempted to fill this gap in the literature by advancing on the five-factor model by incorporating different latent variables, i.e. financial literacy, customer engagement, complaint handling, frontline employee engagement and the de-institutionalisation of retail banks. In addition, the research community is still lacking empirical support in the domain of relationship marketing on the combined effect of these latent variables in relation to the trust repair efforts following the recent financial crisis in 2007-2008. In addition previous studies have profoundly researched customer trust in relation to *e*-banking contexts (see, Yousafzai *et al.,* 2003; 2005 & 2009, for full review).

A study by Chen and Barner (2007) also empirically validated a significant positive relationship between trust and online purchasing intents. While, Mukherjee and Nath (2003) found a significant association between online banking verses customer loyalty. Whoever, to the best of the researcher knowledge no previous research has assessed the effect of *physical branch presence* on the cognitive and affective dimensions of the firm-level trust. Primarily no such research is available following the recent financial crisis as the banking industry has embarked on branch closured profoundly.

Therefore, this study has measured the casual relationship between *branch presence* and cognitive and affective trust dimensions of firm-level trust. In the relative vein, in the domain of customer engagement (CE) literature, previous studies have reflected upon organisation efforts to *physically engage* customers with their product (see, Baron *et al.,* 2001 and Prahalad, 2004), empirically validated an *emotional connection* between firm and its customers (Rieger and Kamins, 2006), heighted the importance of *customer participation* (Wagner and Majchrzak, 2007) , engaging customers in *product development* (Joshi and Sharma 2004) and *knowledge exchange* between the firm and its customer to encourage CE (Joshi and Sharma 2004) among other CE activities. However, no previous study has assessed the effect of CE activities on the cognitive and affective dimensions of the firm-level trust. Although, as being discussed earlier, the CE activities has proven to be a kay antecedent of customer trust in the retail banking perspective.

2.17 Summary

The key objective of this chapter was to critically review the literature concerning the conceptualisation of trust, its multi-dimensionality and to elaborate definitional dilemmas. The chapter also identifies the antecedents of trust in the context-specific parameters of the financial services industry followed by identifying several existing trust repair models in the domain of organisational trust. Furthermore, a distinct aim of this chapter was to differentiate between organisational and institutional trust and the divergent approaches by which to encounter organisational and institutional trust violations. The Chapter also highlights the concepts such as relationship marketing, lack of financial literacy in the UK and customer engagement in the banking perspective. The discussion continues regarding the customer migration towards SST and complaint handing in the UK retail banking operation. Towards the end, four case studies are also included in this chapter to elaborate how different organisations across the globe, i.e., Xerox Corporation, Parmalat, Mattel and Toyota, have comprehended the negative impact of trust violations. Finally, the chapter addresses the literature gaps and the proposed research plan to fill those literary gaps. The following chapter explains in great depth the hypothesis development which assisted in answering the central research questions.

Chapter 3

Hypotheses Formation

The previous chapter has provided the theoretical foundation for the study and the subsequent review of the related literature has helped to identify the literature gaps in the domain of organisational trust repair efforts. The Chapter has also provided a logical conclusion to formulate a mixed methods research to address those literary gaps. In this chapter the hypothetical framework for the present study has been underlined, which is grounded in the conceptualisation of trust as discussed earlier in Chapter 2. As the distinct aim of this study is to address the issue of restoring customer trust in the UK retail banking sector, therefore, an inventory of different antecedents of trust has been operationalised and the selected latent variables for this study are classified as customer engagement, frontline employee engagement, complaint handling, financial literacy and branch presence.

Initially, only three variables, i.e., customer engagement, staff engagement and financial literacy, were selected for the proposed model. In addition, prior to the hypotheses formation two focus group interactions (see Chapter 4 for full details) were solely conducted to check the suitability of the selected dimensions. Interestingly, these focus groups have not only confirmed the appropriateness of the exiting dimensions of the *five-factor trust repair model* but two additional dimensions, i.e., complaint handling and branch presence have also emerged from those interactions and which were included in the final model. Furthermore, these five dimensions have served as *independent variables* in the proposed model, whilst the dependent variables were classified as cognitive and affective trust dimensions of the bank-level trust.

This approach is also consistent with the seminal work by Dietz and Gillespie (2011: 11) as the researchers have stated that "by understanding the science of trust and its causes [antecedents] and consequences we can design ways of managing and repairing trust." Therefore, to lay down the pursuit of the problem in hand, this study points to two distinct steps, leading to the two-pronged nature of attack of this study. Firstly, the respondents were able to make an assessment of their main banking provider's perceived level of cognitive and affective trust dimensions following the recent financial crisis (i.e., the triggering event which resulted in the erosion of trust). Secondly, their assessment of the existing levels of staff engagement, customer engagement, financial literacy, complaint handling and branch presence to repair customer trust in the retail banking (thereafter, CTRB).

3.1 The proposed five-factor model and hypothesised relationships

As Smith (2010) highlighted, whilst researching trust the researcher must take a position in the diversity of the conceptualisation. Therefore, the present study has put emphasis upon a micro-level effort to restore CTRB. This is because a substantial part of the trust literature assumes that the development of trust is essentially a micro-level phenomenon which is based on frequent contacts between individual actors, i.e., the violator and the person whose trust was violated (Bachmann and Inkpen, 2011). A study by Kramer and Lewicki (2010: 246) highlighted that "the issue of damaged trust at an organisational level is of particular relevance right now, as many organisations struggle to regain the trust that has been lost as a result of massive financial misbehaviour". A detailed explanation of the proposed five-factor model is given as follows, alongside the two focus group interactions, which were conducted for the sole purpose of the study.

3.1.1 Cognitive and affective dimensions of the firm-level trust

As discussed earlier in Chapter 2, there are varieties of definitions and conceptualisations of trust which reflect its position as a key construct for scholars in different disciplines. In general, trust is a belief that is held by one party regarding the attitudes and behaviour of another party. Meanwhile, in marketing terms, Sekhon *et al. (*2014: 412) stated that trust would be a belief held by customers regarding organisations or their representatives. Trust is, therefore, a belief held by individuals with respect to others with whom they interact. These definitions are also in line with Mayer *et al.*'s (1995: 172) conceptualisation of trust as "the willingness of a party to be vulnerable to the actions of another party based on the expectation that the other will perform a particular action important to the trustor, irrespective of the ability to monitor or control that other party". These conceptualisations merge well with the banking perspective as customers will not be able to confirm the consequence of their choice prior to the performance of the financial products.

In this regard, Harrison (2003, cited in Sunikka *et al.* 2010: 67) has listed the characteristics of financial services as "high intangibility, informational asymmetrical, and a heavy reliance on the credence qualities of products and services that can lead to uncertainty. Thus, consumers' trust in financial service providers, that is, in companies, advisors, products and services, reduces uncertainty and the perceived risks attached to financial decision-making". Therefore, the mechanism of trust can be used as a risk reliever in financial services (Zhao *et al.*, 2010) and trust is perhaps fundamental to all categories of business-to-customer dealings (Eastlick and Lotz, 2011). Likewise, Hart and Saunders (1997) stated that the key to building trust in business interaction is to serve the trustor – *the weaker party* – with honesty, without taking advantage of their reliance or limited understanding. In addition, it may be concluded that the development of trust in the business-to-customer level is largely a matter of one party determining whether another party is trustworthy or not.

A study by Morrow *et al.* (2004) showed that, for the process to be developed regarding whether an organisation is trustworthy or not, it is conceivably when an individual is able to cognitively and emotionally process and evaluate all the embedded evidence. Therefore, it can be concluded that *it is vital for the UK retail banks to improve their image/perception in the eyes of their consumers* by addressing the issue of cognitive and affective dimensions of trust (Ennew *et al.* 2011, Ennew and Sekhon, 2007, Morrow *et al.* 2004, Shockley-Zalabak *et al.* 2000, Shockley-Zalabak and Morreale, 2011). In this regard, Gill *et al.* (2005) also established that the trustee's characteristics of integrity, ability and benevolence affect trustor intent to trust; whereas an early study McAlister (1995) has grounded these characteristics in cognitive and affective dimensions of trust. In addition during the focus group interactions (see Chapter 4) banking providers' competence, integrity and benevolence were the aspects participants have highly debated and they argued that the banks must implement the term customer centric in its true spirit as:

> *"there is no way out of the recent banking crisis until the customer concerns have been decisively positioned at the core of the argument" (participant, female, 51).*

Therefore, due to the nature of the trust violations and uncertainty arising in the banking industry grounded in the recent financial crisis and subsequent financial scandals, it would be beneficial to use the cognitive and affective dimensions of trust as a dependent variable in the proposed five-factor model. However, in this study, cognitive and affective dimensions of trust are defined as customer's willingness to reflect upon organisational integrity and competence (cognitive trust) while affective or emotional trust refer to the level of care institutions reflect during an exchange with their customers. While the recent financial crisis arose from numerous organisational and institutional failures, one of the justifications for the proposed micro-level efforts is postulated in an effort by Tomasic (2011), as the researcher concluded that "there is always a danger that following the end of the crisis many market actors will simply be tempted to return to their old ways. This is a very natural and difficult tendency to change" and the legal system is not being very effective at installing rules and regulations (a macro-level phenomenon) which will prevent all this from happening again. Moreover, the researcher has further argued that the banking industry has already lobbied Westminster and called for resistance from the banking sector to resist the introduction of any future regulation in the banking industry. Therefore, it is one of the reasons for the researcher to devise a micro-level effort which will be of two-fold benefit: firstly, the UK banks might be able to avert or limit further industry regulation (which may be a hefty burden on their balance sheet) and, secondly, this will reaffirm the notion that in the post-crisis era the UK banks are willing to improve their banking operation/culture without any arm-twisting by the regulator, which will elevate their perceived cognitive and affective trust dimensions in the industry.

3.2 Perceived staff engagement and firm-level trust

In a service-driven industry context, such as a retail bank, the frontline employees (FLE) play a vital role; since customers build trust with an organisation's frontline employees rather than its executives (Reichheld, 1993). A study by Scotti *et al.*, (2009) reported that FLE can shape customer perception of service quality in an organisation. While, in the relationship marketing perspective, this first line of defence plays a vital role to limit customer defection (Berry, 1995). More recently, researchers have investigated the relationship between *organisational trust* and several *positive work outcomes*, i.e., based upon a strongly rooted theoretical framework, Sirdeshmukh *et al.* (2002) found that FLE behaviour is the most important and key driver for customer trust in relationship exchanges. A study by Laschinger *et al.*, (2000) reported a positive relationship between staff engagement and organisational effectiveness. Similarly, employee engagement has been linked with many positive job outcomes such as job satisfaction and performance (see, Ugwa *et al.*, 2014, for full review).

Further, the recent financial crisis has triggered large-scale redundancies within the banking industry (Gennard, 2009) coupled with pay freezes and reduction in other income, i.e., a dramatic drop in banks' share prices resulted in great distress for their employees as they had invested most of their life savings in banking stocks (Bennet and Kottasz, 2012). Although all these factors increased banking staff's feelings of mistreatment, the pressure to drive up their productivity intensified dramatically. A study by Schlesinger and Heskitt (1991) stated the importance of well-motivated and highly engaged employees as a driving force to improve service quality and described that bond as a *satisfaction mirror*. This line of thinking is also supported by Harter *et al.* (2002), who pointed towards a positive relationship between high levels of employee engagement and increased customer satisfaction and loyalty. Similarly, Salanova *et al.* (2005) stated that, when employees are highly engaged, it is expected that they will perform well with customers, leading to favourable customer evaluations.

Likewise, meeting the customers' expectations through better service quality will enhance the customer retention processes (Rust and Danaher, 1996; Rust and Zahorik, 1993), and, eventually, customer retention will improve customer satisfaction, which is an antecedent of customer trust (see, Evanschitzky *et al.* 2011; Brown and Lam, 2008; Schlesinger and Heskett, 1991). At present, most of the UK banks are trying to focus their efforts towards customer satisfaction but they are not paying much attention towards improving employee satisfaction, i.e., banking staff have to work for longer hours together with experiencing redundancy fears, freeze on pay rise and with huge cuts to the FLE training budgets; while prior research has suggested staff satisfaction as a key driver for customer satisfaction. Many UK banks have invested heavily in service automation, e.g., self-service tills/express tills, e.g., ATMs/CDMs, at the expense of human capital and compromising the human touch, which is a key differentiator of delivering excellent customer services.

This is indeed a harmful strategy, as Evanschitzky *et al.* (2011: 138) make a credible case for positing employee satisfaction as an antecedent of customer satisfaction. The researchers have further pointed out *a double positive effect* resulting from higher employee satisfaction for a business; the direct effect would result in enhancing the customer satisfaction and indirectly it would also nearly double their repeat sale intentions. More recently, ACAS (2012) have stated that trust is both a by-product and a necessary pre-requisite for engagement, and from this evidence it seems clear that an organisation built on trust is better placed to engage its people and, in turn, to adapt, grow and prosper[7].

The proposed research also draws upon the organisational support theory (cf. Rhoades and Eisenberger, 2002) which has asserted that, when members of an organisation feel that their

[7] ACAS publication, Placing Trust in Employee Engagement, November, 2012, available at *http://www.acas.org.uk/media/pdf/l/2/Placing-Trust-in-Employee-Engagement.pdf*

firm has concern for their interests and appreciates their input, they will commit to assisting the organisation achieve its goals. Therefore, drawing upon the fundamental factor of RM as an internal marketing satisfaction mirror and organisational support theory to identify the impact, if any, of FLE satisfaction on service quality, the survey instrument will make use of two dummy variables, namely "consistently polite" and "professional appearance". This will reflect staff empathy for customers and ultimately their concern for customer satisfaction. In addition, Gillespie *et al.* (2014), while reflecting upon the case study of the British water supply company Severn Trent's efforts to gain legitimacy after a major fraud scandal in 2006, have reported that "… trust repair is facilitated by re-establishing a positive organisational identity amongst the workforce" and it may enhance the employees' perception of integrity-based trust for the firm.

Figure 3.1: The chain reaction stems from staff responsiveness

Source: Own research

A study by Anitha (2014: 310) highlighted the determinants of employee engagement as, "workplace wellbeing, compensation programme, team & co-worker relationship, leadership, working environment, policies & procedures, training and career development". However, during the quantitative phase of the study, the researcher was denied by the banks & building societies to be provided with any subjective data regarding the above mentioned variables regarding their FLE's (see, Chapter 7, research limitations, for further details). Therefore, in this study the researcher has opted for to use *staff responsiveness* as a proxy for measuring the staff engagement level; as previous research has stated that "engaged employees go beyond the call of duty to perform their role in excellence" (Anitha, 2014: 308). Similarly, Salanova *et al.*, (2005) also stated that, when employees are highly engaged, it is expected that they will perform well with customers, leading to favourable customer evaluations of the organisation. Moreover, the use of *customer evaluation* of employee's performance is not a new phenomenon in service marketing. As a study by London and Smither (1995) reported app.

60% of the firms surveyed gather employee's performance scores through internal or external customers. Milliman *et al.,* (1995) reported that in 360^o appraisal system, external customers are now being included in performance appraisal programs in different service organisation. Similarly, a study by Lambert *et al.*, (1997) highlighted the essence of customer rating's and reported that customers are likely in a better position to observe the FLE behaviours in service settings. In addition, in service quality literature the linkage between employee satisfaction and customer service is well evident (see, Silberstang, 1995) as the researcher reported a more helpful and diligent behaviour by the satisfied employees. Likewise, Cranny *et al.,* (1992) through path analysis has also reported that work satisfaction significantly influence job performance. In the present study *staff responsiveness* variable has been adopted from the SERVQUAL model of Parasuraman *et al.* (1988) as the researches have used *responsiveness* among other dimensions for measuring service quality. Hence the following hypotheses are proposed

H1. A significant positive relationship exists between staff responsiveness and cognitive dimension of firm level trust

H2. A significant positive relationship exists between staff responsiveness and affective dimension of firm level trust

3.3 Financial literacy

Consistent with the prior conceptualisation in Chapter 2, section 2.10, which concluded that understanding and confidently managing money is a crucial life skill for people of all ages, as individuals might be able to obtain financial information from various sources but they must have the cognitive ability to understand that information, in order to make a sound financial decision, a study by Schooley and Worden (2010) highlighted the emergence of a different social issue that has ascended from the recent financial crisis, which is the lack of financial literacy among the general public and their inability to manage their personal finances. It is unfortunate that many families in the UK are unable to understand the pros and cons of using revolving and non-revolving credit facilities, such as overdrafts, credit cards, personal loans and mortgage finance etc. and often end up in financial chaos. In particular, this affects families from poorer backgrounds, as they are less familiar with money matters. However, it can be equally argued that the information provided by banking providers to their customers was not sufficiently easy to understand or transparent with regard to information on their products and services. If the banking providers had educated their customers sufficiently and made them aware of the workings of financial products, they would have averted the risk associated with different financial products and therefore customers may not have defaulted – which ultimately triggered the erosion of trust in their banking providers.

As a result, following the recent financial crisis the policy makers needs a new lens through which to visualise and understand the consumers' feelings, experienced during and after the recent financial crisis, as their emotions swing from encouraging to disappointment. Similarly, Bennet and Kottasz (2012) found that considerable personal financial losses can change customers' perceptions. Therefore, the general public should be educated through educational and financial institutions about the implications of debt and the importance of savings. In conclusion, banking providers need to raise customer awareness to the next level, which is to understand the wider impact of money, so that customers do not have any false hope or idealistic expectation towards future earning and spending. In addition, during the focus group interactions, the need for the financial education was found to be highly regarded by the group members, as they were quite wary of the institutionalised culture of borrowing and relying too much on debt:

> *"We need to know the future implication of these financial products, which those bankers expect us to buy from them, as every time I go to my bank counter to withdraw my wage, cashiers tells me that I have a pre-approved loan and a credit card ready on my account to be activated" (participant, male, 26).*

Therefore, this leads to the following two hypotheses:

H3. A significant positive relationship exists between financial literacy and cognitive dimension of firm level trust

H4. A significant positive relationship exists between financial literacy and affective dimension of firm level trust

3.4 Customer engagement

The customer engagement (thereafter CE) has been garnered from relationship marketing research, where interaction is governed primarily by the activities of the company and its service offering; the resulting outcome is then measured by repeat sales, customer retention and customer loyalty (cf. Ndubisi, 2007). Likewise, the relationship marketing activities have been shown to be critical to the success of the banking sector (Adamson *et al.,* 2003). However, limited research has been conducted within this context (Heffernan *et al.,* 2008). In this regard, in a retail banking setting, a study by Walsh *et al.* (2004: 469) postulates RM as "the activities carried out by banks in order to attract, interact with and retain more profitable or high net-worth customers".

While CE research broadly covers all aspects of relationships between business-to-business, businesses-to-consumer and consumer-to-consumer, for this academic research more emphasis has been placed on the *business-to-consumer* domain due to practical constraints in incorporating all three contexts. The CE literature has recognised that an engaged consumer is a *happy customer* and he or she becomes a regular customer and possibly an advocate of the business (Bieiski, 2008). Similarly, in the banking industry, a bank branch can reach peak profitability only if it engages customers (cf. Tschida, 2005). A study by Bowden (2009: 69) hypothesised that the "higher the level of involvement with the service brand, the greater the degree of brand trust leading to increased levels of customer commitment". Likewise, Oliva *et al.* (1995) demonstrated that the term 'stickiness' as a consequence of high customer involvement with their brands and ultimately better resilience to customer's defect. This line of thinking is further elaborated by Roser (1990), to whom more recently Bowden (2009) referred: extremely involved customer will be more willing to ignore negative publicity towards their service provider.

This line of thinking is also similar to that stated by Leverin and Liljander (2006) concerning the Finland retail banking industry; the researchers found that relationship marketing efforts can be of mutual benefit for retail banks and their customers especially if customers were highly involved through personal interaction, which will ultimately increase customers' confidence towards their bank. Similarly, Hofmeyr and Rice (2000) highlighted that, if customers are detached from their service provider, then it is virtually impossible to have committed customers. Furthermore, detached and uncommitted customers, even if feeling *satisfied*, may still switch brands on a regular basis due to the impression that the brand or service provider is viewed as being trivial in the customer's decision-making process (Warrington and Shim 2000). Therefore, Bowden (2009) and an early study by Hess and Story (2005) imply that customer trust is strongly linked to true commitment and customer connection with the brand even in the midst of anxiety and fear in the market. Berlon (2008) emphasised that there is a need for banks to place emphasis on satisfied and engaged customers, but also to spend rigorous efforts on *disengaged customers* and to win back their commitment through effective CE management.

Though, the researcher has further highlighted that the launch of an *all-out assault* on customer engagement would be an expensive and time-consuming venture. The method of choice for the service providers should be engagement through diverse service platforms such as digital, mobile, direct mail and face-to-face communication, through which businesses are developing new means of generating and evoking an emotional connection with the brand. Thus, a disengaged customer's emotions might swing towards high service usage, which is essential in these stormy financial conditions. However, it is notable that even successful businesses are providing platforms for customers to interact with each other, e.g., over Facebook, Twitter, podcasts and community listening events, with the optimism that customers will share good experiences with each other.

These efforts are quite in line with Wagner and Majchrzak's (2007: 20) definition of CE, as the researchers have defined CE as "the intensity of customer participation with both representatives of the organisation and with other customers in a collaborative knowledge exchange process". In this regard, a study by Rieger (2006) reported that a fully engaged customer may deliver a 23% share of the wallet over an average customer in terms of profitability and softening new relationships. The CE literature has also pointed out another aspect of customer engagement in a crisis, i.e., appropriate communication, as "…when consumer attention is focused on a firm's actions, and while the firm is incapable of presenting sufficient or persuasive information about the events, rumours will very likely be generated and spread" and such positive efforts will improve perceptions of organisational integrity and competence (Xie and Peng, 2009:577). Furthermore, in the domain of relationship marketing, Ndubisi (2007) points out that communication is a key antecedent of customer trust. Therefore, this leads to the following two hypotheses:

H5. A significant positive relationship exists between customer engagement and cognitive dimension of firm level trust

H6. A significant positive relationship exists between customer engagement and affective dimension of firm level trust

3.5 Customer complaint handling

A study by Tax *et al.* (1998) reported a positive relationship between customer trust and successful complaint handling by the service provider. Morgan and Hunt (1994) and Ball *et al.* (2004) validated customer complaint handling as an antecedent of trust. Furthermore, Ball *et al.* (2004) suggested that any improper conduct by the service provider will be deemed as incompetence by the customers in due course. Moorman *et al.* (1993) stressed the need for apt resolution of customer complaints in order to generate customer trust. Santos and Fernandes (2008) reported the erosion of customer trust due to prolonged conflict between customers and the companies. Similarly, in the Malaysian banking context, Ndubisi (2007) reported a positive relationship between effective complaint handing and customer loyalty.

Dailly (2013) argued that "the idea that getting the customer experience in the complaints handling process right should be seen as an integral part of the process that rebuilds trust in our banking system". However, "as a general proposition the major UK banks still have a long way to go to improve their complaint handling". The FSA reported an increase of 67% in the number of complaints raised against the British banks and building societies in the first half of 2012. "That is almost 2.8 million complaints as opposed to under 2 million financial service complaints reported in the same period last year" (Dailly, 2013). The researcher further reported the findings from the Financial Ombudsman Service in response to the PPI complaints which were overturned for the five major retail banks in the UK, i.e. Santander has a 55% overturn rate, HSBC has a 51%, RBS has a 47%, Barclays has a 77%, while the most striking of all is of Lloyds with a 86% overturn rate for PPI cases. Furthermore, in February 2013 the FSA published its mystery shoppers' review data and astonishingly still one in four customers were given poor advice by the British banks and building societies; furthermore, one in ten customers were given unsuitable advice[8].

Along similar lines, Dailly (2013) postulated that "prevention is better than cure when it comes to complaints. Ultimately, consumers don't want to complain in the first place, and it's worth remembering that most people don't complain, but they do share their bad experience with around nine people on average, so good complaints handling is essential to avoid reputational damage". In addition, complaint handing was one of the issues which have awoken most

[8] *http://www.fsa.gov.uk/library/communication/pr/2013/014.shtml*

interest during the two focus group interaction solely conducted for this research to check the validity of the selected dimensions of the *five-factor trust repair model* (see Chapter 4 for full details).

Moreover, Gillespie *et al.* (2014), while reflecting upon the case study of the British water supply company Severn Trent's efforts to gain legitimacy after a fraud scandal in 2006, have highlighted that complaint handling can effectively repair benevolence defilements among the general public. Similarly, Xie and Peng, (2009: 576) stated that "affective recovery efforts improve the perceptions of organisational integrity and benevolence among the stakeholders". A more recent study by Yep *et al.* (2012:162) found that "banks should not take complaint handling lightly as poorly handled complaints may be views by consumer as banks' *incompetence* and *lack of care* towards their customers". Thus, this leads to the following two hypotheses:

H7. A significant positive relationship exists between complaint handling effectiveness and cognitive dimension of firm level trust

H8. A significant positive relationship exists between complaint handling effectiveness and affective dimension of firm level trust

3.6 Customer perception of branch presence

The essence of *retail branch presence was* also one of the core issue which have awoken most interest during the two focus group interaction solely conducted for this research (see Chapter 4 for full details). As the participants were more concern regarding the adversative consequence the *retail branch closures* is having on the local community and non-availability of the banking services. The retail branch closure is a continuing trend in the UK following the recent financial crisis as the long term downward pressure on profits has forced banks to look to ways to cut costs (cf. Edmonds, 2015). The researcher further highlighted that there were 20,583 branches in 1988 but only 9,383 in 2012 in the UK. To discuss the negative consequences of retail branch closure, a study by Smailes (1997) stated that, branch closure has prompted reduction in local credit supply, retail leakage and reduction in public service such as education and health, as mass migration may occur in search of better localities. Unfortunately, from the beginning of the recent financial crisis in 2007 up to 2012, UK banks have closed 814 retail branches in different communities with the logic that the costs of continuing to operate these branches could not be justified by the level of business involved. The biggest casualty was HSBC which had to shut 284 branches, followed by NatWest with 177 branches and Santander with 122 closures. In addition, Barclays had to shut 140 branches, whereas RBS and Lloyds TSB had to close 32 and 59 branches respectively[9]. Ninety-six percent of the rural and suburban communities depend upon the Big 4 banks in the UK.

Therefore, these findings add merit to the banking providers' efforts to introduce self-service technologies in order to mitigate the negative impact of branch closures in the post-crisis era. The role of self-service technologies has been discussed in Chapter 2, section 2.7 in great detail. While digital banking is on the rise in the UK, the physical branch network is still the main stream of banking services for lower- and middle-income families. Also, loss of local access to banking causes problems for the elderly, those with disabilities, people on low incomes and others without access to private transport. These people predominantly rely on personal service through the physical and local branch network. Similarly, small businesses are particularly reliant on bank branches. However, more importantly, to sustain the local community, local branches can help keep people's expenditure focused locally, generating crucial foot flow within the local community, and therefore providing invaluable assistance to local business.

Nevertheless, if branch closure is the last choice for the service providers they must educate their existing customers regarding alternative banking service, e.g., digital banking, i.e., online, mobile and telephonic banking etc. However, the focus group interactions (see Chapter 4) also revealed that older customers seem to be very critical of the service automation or digital banking as compared to the younger cohorts. As for younger cohort, digital banking or service automation is the freedom from the *red brick structured banks* and allows them to stay in control of their finances while on the go; but, at the same time, they are very concerned regarding online banking security. In addition, the majority of the participants have raised concerns regarding *branch closures* as they still value the importance of branch presence in the local communities and they have stated that it is due to the service providers' *opportunistic behaviour* which in turn is a clear lack of benevolence. As one participant stated:

> *"The retail banks have embarked upon a process of deinstitutionalisation and are gradually disengaging themselves from their local communities" (respondent, female, 46).*

[9] *http://www.smf.co.uk/wp-content/uploads/2013/03/Publication-Branching-Out-The-Evolution-of-Retail-Banking.pdf*

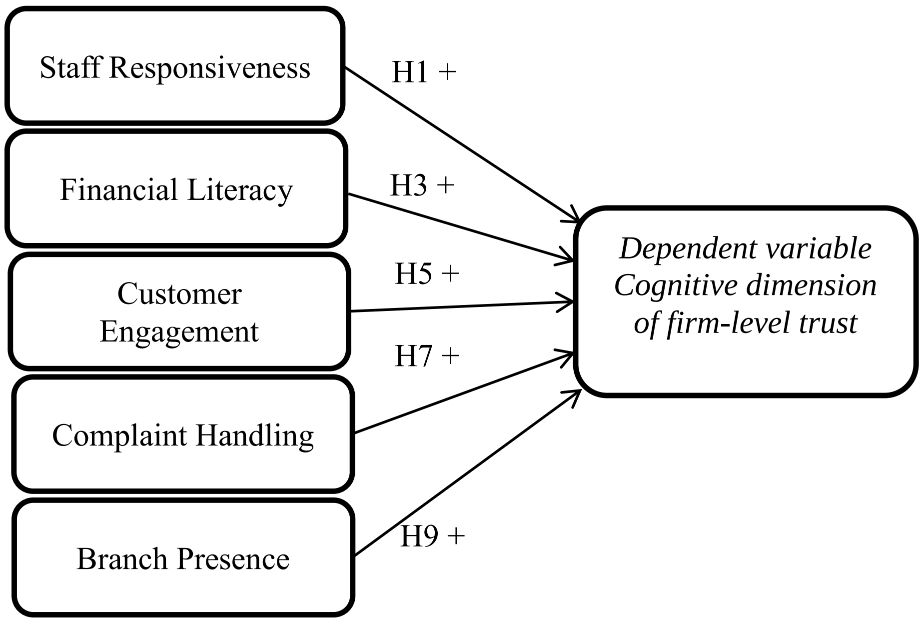
In this regards, Hewed and Howcroft (1999) reported a reduction in customer trust by disengaging the physical link between customers and financial service organisations due to the emergence of different technological channels. Along similar lines, participants have also pointed to the neglect of the personalised relationships with their retail banking providers, as banks are treating all customers as “transactional” due to the introduction of the e-banking platform. These findings are well consistent with the previous research by Durkin *et al.* (2008), as the researchers stated that the notion of the *relationship managed customer* is being phased out due to technological amalgamation. However, the present study also argues that without a swift and affective customer migration effort the banks might struggle to convince customers to continue supporting and trusting their bank going forward if they have to close different retail branches.

H9. A significant positive relationship exists between branch presence and cognitive dimension of firm level trust

H10. A significant positive relationship exists between branch presence and affective dimension of firm level trust

Figure 3.2: The proposed five-factor model

Model 1 - Five-factor conceptual model of firm-level trust



Model 2 - Five-factor conceptual model of firm-level trust

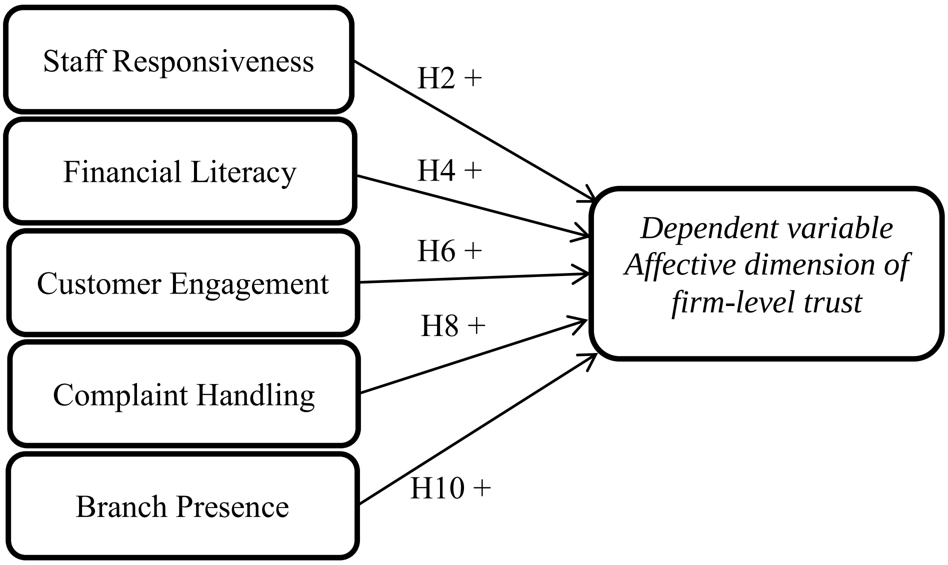


Table 3.1: The proposed hypothesized relationship

	Hypothesised Relationship
	Staff responsiveness
H1.	A significant positive relationship exists between staff responsiveness and cognitive dimension of firm level trust
H2.	A significant positive relationship exists between staff responsiveness and affective dimension of firm level trust
	Financial literacy
H3.	A significant positive relationship exists between financial literacy and cognitive dimension of firm level trust
H4.	A significant positive relationship exists between financial literacy and affective dimension of firm level trust
	Customer engagement
H5.	A significant positive relationship exists between customer engagement and cognitive dimension of firm level trust
H6.	A significant positive relationship exists between customer engagement and affective dimension of firm level trust

	Complaint handling
H7.	A significant positive relationship exists between complaint handling effectiveness and cognitive dimension of firm level trust
H8.	A significant positive relationship exists between complaint handling effectiveness and affective dimension of firm level trust
	Branch presence
H9.	A significant positive relationship exists between branch presence and cognitive dimension of firm level trust
H10.	A significant positive relationship exists between branch presence and affective dimension of firm level trust

3.8 Summary

To summarise, this chapter explains the hypotheses formation (10 hypotheses) and the theoretical justification for the five-factor model to reinstate customer trust in the retail banking industry. It provides the academic reasoning for the selected dependent variables in this study, i.e., cognitive and affective dimensions of the bank-level trust. Subsequently, the chapter discusses the lack of financial literacy amongst the UK customers and its ramifications for the banking industry followed by emphasising the importance of customer engagement and the use of self-service technologies in the banking context. In addition, the chapter also clearly identify and link the *staff engagement dimension* with service quality literature and provide academic reasoning that how *staff responsiveness dimension* of service quality will be utilised to captures staff engagement in the present study.

The following chapter explains the selected methodological approach by elaborating the research philosophy and research design. Subsequently, the data measurement approaches has been highlighted, with an explanation of the primary and secondary data analysis strategies for both *quantitative and qualitative phases i.e.*, reliability analysis, correlation analysis, multiple regression analysis, focus group interactions and thematic analysis etc. The chapter also elaborates the validity and reliability of measures, as well as how the selected hypotheses were tested. Finally it concludes with the explanation *the common method bias* and the relevant ethical concerns affecting this study.

Chapter 4

Research Methodology

In the previous chapters it has been established that the recent financial crisis is, no doubt, caused by several different and interrelated factors, i.e., leniency in lending ethics, desire for higher returns, corruption, financial engineering, deception, automated decision-making and lack of transparency in securitised credit products. Such integrity and competence violations have exacerbated the low levels of public trust among banking customers. Thus, the retail banking providers need a paradigm shift in the way they operate in order to restore the public confidence, or else they may struggle scuffle for customer deposit and ultimately liquidity problems. Crucially, such lack of confidence may hurt revenue (Robison, 2008) and pose a serious survival challenge for the retail banking providers.

Similarly, Wood and Berg (2011) also argued that there is little margin for error in efforts to restore public confidence; any further blunder by a notable bank will create unexpected and significant consequence for the entire financial industry. Knell and Stix (2009) and Torgler (2007) highlighted the positive relationship between the recent financial crisis and the decline in trust on banks. However, as discussed earlier in Chapter 2, limited academic research has been conducted in the UK banking sector on how to restore the public trust, especially with regard to the reckless banking practices prior to the recent financial crisis.

In this chapter the philosophical stance of the thesis is explained to clarify the reasons behind the chosen methodology, e.g., to answer the research questions and to attain the research objectives which were highlighted in Chapter 1. The Chapter also initiates the fundamentals of the research process, which embraces the ontological, epistemological and methodological stance in this study. This chapter also addresses the fundamental decision in mixed methods research, i.e., weighting and mixing decision and justify the combination of the mixed method research to ascertain the research objectives.

Further, the Chapter elaborates on the data collection techniques, e.g., both qualitative and quantitative methods, formation of survey instrument and indicators, and then the pretesting of the questionnaire is discussed in great detail. The discussion follows to elaborate primary data analysis approaches i.e., in quantitative quadrant, factor analysis, correlation and regression analysis etc. Whereas, in the qualitative quadrant, *thematic analysis* and focus group interactions have being highlighted. Towards the end, the chapter explains and validity & reliability issues, ethical issues and the detailed account of the *common method bias* associated with the present study.

4.1 The research methodology

Creswell (2009) defined methodology as the technique for gathering facts, and defining, clarifying and forecasting phenomena by utilising a preferred method, i.e. quantitative/qualitative or mixed methods. Similarly, Bryman (2012) stated that, prior to any research, one of the most problematic and equally significant decisions to make is whether to choose quantitative, qualitative or a mixed methods approach to answer the research question. The researcher further highlighted that the research community is equally divided on the stance whether the research should be method driven. However, it is quite a judgemental decision to make when it comes to method selection as all methods are poles apart on the basis of data collection approaches and ontological and epistemological grounds or how the scholars view the reality and attempt to attain that knowledge.

Creswell (2009, 2013) highlighted that quantitative data techniques are more appropriate for testing an objective theory and collecting numerical data for statistical analysis and generalising the survey findings for a wider population. Likewise, to Creswell, survey and experiments are the main data collection techniques quantitatively. In survey technique, data can be collected by utilising a questionnaire to discover the perception of a wider population grounded on a sample population. In contrast, experiment is ideal for testing the cause and effect relationship amid different variables by dividing the participants into control and treatment groups that are given the uniform experimental condition.

In contrast, qualitative research is normally conducted to explore a deeper understanding of the problem. Creswell (2009, 2013) explained that this understanding may be accomplished by communicating or observing the respondents. In observation, the researcher may not question the participants but rather check and record the observations. In contrast, while communicating, the researcher can encourage participants to express their views and then try to comprehend how respondents address the problem or issue that is being explored. Nevertheless, researchers are quite divided on the issue of research design/sequence; for instance, should the qualitative method be utilised before or after the quantitative phase of the study or vice versa. However, Creswell stated that a qualitative method can be conducted to enhance the quantitative results which might not be sufficient to explain the issue being researched. Similarly, qualitative techniques can also be applied as a suffix or a prefix to the quantitative phase to gain a better understanding of the research problem. The most common qualitative methods are narrative research, phenomenology study, grounded theory, ethnographic studies and case study. Therefore, due to the multi-dimensional nature of the research problem, which required a comprehensive scrutiny of the different antecedents of customer trust involving relationship marketing, organisational justice theory/complaint handling, customer satisfaction, customer financial literacy, mixed methods research is favoured. In this regard, in an early exploratory study, Parasuraman *et al.* (1988) have successfully employed a mixed methods research to develop SERVQUAL, a two-part instrument which comprises of a 22-item scale for measuring service quality. Following is the detailed analysis of the method selection in this study;

4.2 Research philosophy

A study by Morgan and Smircich (1980) highlighted that the researcher's methodological choices are governed in their philosophical assumptions regarding ontology, human nature and epistemology. Collis and Hussey (2003) asserted that the nature of the research question / objective is also the dominant force behind the chosen methodology. The following section will discuss the different philosophical assumptions i.e., ontology, human nature and epistemology.

4.2.1 Ontological and epistemological perspectives

Morgan and Smircich (1980: 491) highlighted the importance of social research as a "wider and deeper context" and argued for social scientists to be more clearly positioned regarding the assumptions about the nature of reality and of knowledge. Marsh and Furlong (2002:18) define ontology as the science or theory of being concerned with the question of how the world is built: "is there a 'real' world 'out there' that is independent of our knowledge of it?" In the relative vein, Creswell (1994) indicated that researcher's should explicitly address question such as, what is the nature of the reality, as these ontological assumptions are grounded in their views regarding the social world, how they intended to *engage with* and *reflect upon* to reveal social truths. David and Sutton (2004) also supported these views and stated that the ontological dimension enables the social scientist to reveal how their views of human nature influence on the approach they deliberately embraced to disclose social phenomena. Whereas, *human nature dimension* is concern with the explicit role of the social scientists in *social reality*. Nevertheless, the main tenant in this ontological dimension is the question of whether the reality is *objective* or *subjective* (Morgan and Smircich, 1980). The crux of their argument was whether human beings are the product of the external reality or whether there is no real world and human can constructed the world with their own experience. These positions are frequently refers to objectivism and subjectivism in social sciences.

On the other end of the spectrum, epistemology offers a philosophical background for determining what kinds of knowledge are legitimate and adequate. The importance of having an epistemological perspective is highlighted by Easterby-Smith et al. (2002) as; it means the principal structure of the research including the kind of evidence that is being gathered, from where and how it is going to be interpreted. Similarly, Collins and Hussey (2003) stated that epistemology is primarily concerned with the study of knowledge and also challenge its validity. Bryman (2004: 22) define objectivism as an ontological position which employees that "social phenomena confront us as external facts which are beyond our reach and influence". Therefore, social scientist can discuss social entity in the case of organisation as a "social object" as it has a reality that is external to the human who occupied it. Bryman further asserts that the same can be applied to culture and sub-cultures as "they constrain us because we internalise their belief and values".

In an early study, Morgan and Smircich, (1980) conceptualise the objectivist views regarding social reality as a hard, concreate and objective occurrence that provide itself to observation and to be quantified. Gray (2004:19) stated that "a theoretical perspective closely linked to objectivism is positivism which argues that reality exists external to the researcher and must be investigated through the rigorous process of scientific inquiry". Similarly, Roth and Mehta (2002: 132) describe that the positivist approach maintains "that a true explanation or cause of an event or social pattern can be found and tested by scientific standards of verification". Whereas, constructivism can be consider as an alternative ontological position (Bryman 2008) which actually challenge the objectivist believes and portrait reality as a projection of human thoughts.

In addition, in social sciences the researchers have use constructivism and interpretivism interchangeably (see, Creswell, 2003) Likewise, Gray (2004: 20) argued that "constructivism rejects this view of human knowledge". Morgan and Smircich, (1980:494) define constructivism as that the "reality is masked by those human processes which judge and interpret the phenomenon in consciousness prior to a full understanding of the structure of meaning it expresses". Similarly, Gray (2004: 20) also stated that "Meaning is constructed not discovered". Bryman (2008) grounded qualitative research approaches under constructivist approach, while quantitative research can be deemed as in positivist quadrant. However, researchers such as Denzin and Lincoln (2004) argued that this research method is not only confined to quantitative research but may also be applied in qualitative studies. In this study, rather than endeavouring to adjudicate amid these competing paradigms, the researcher has opted to use *positivist analysis to aid interpretivist findings* (see, Roth and Mehta, 2002, for a full review). As the researcher recognise the presence of the natural world but equally *accepts the views of individuals being a social actors*. Thus, the researcher has been able to alter reality into variables, which allows for statistical analysis of any causal relationship among them to validate certain hypothesis.

This idea is quite persistent with the previous research by Lin (1998, cited in Roth and Mehta, 2002: 133) as the researcher stated that "positivist analysis seeks to hypothesize and then evaluate causal inferences about social phenomena that will be generalizable beyond the specific data analysed". However, earlier research has also suggested that positivism and interpretivism are competing paradigms or incompatible (Kuhn, 1978). Therefore, the researcher has opted for a sequential mixed method research, thus two separate sequential studies will be conducted i.e., quantitative study followed by a qualitative research, the two research findings will be mixed and analysed in the final stages of the study to answer the research questions.

Nevertheless, particular emphasis will be made regarding the validity and explanatory power of the adopted methodological lens. Consequently, with regards to the five-factors being studied, i.e., customer engagement, staff engagement, branch presence, financial literacy and complaint handling, the researcher intended to statistically validate causal relationship with the central phenomenon e.g., *bank level trust dimensions*. Additionally, the researcher intended to investigate further in to the same phenomenon through *interpretivist perspective* by conducting semi-structure interviews with the UK retail banking providers to ascertain their views regarding "how to reinstate their customer trust following the recent financial crisis". The former view is also consistent with the previous findings by Roth and Mehta, (2002: 133), as the researches stated that "interpretivist research, while not intended to provide a causal explanation", it can help us to understand the action of the community members. In addition, in previous research focus group, interviews and observation has been used in interpretivist research (cf. Roth and Mehta, 2002). The following section will discuss the merits of the mixed methods research in details. The proposed research is based on a pragmatic philosophy (see Connelly, 2009) and has employed the research methodology based on the third research paradigm (Johnson and Onwuegbuzie, 2004; Johnson *et al*. 2007), most popularly known as mixed-methods research (see Bryman, 2008, Morgan, 2007, Morse, 1991).

Tashakkori and Teddlie (2003) describe mixed methods research as mixed-model research, which includes the elements of both qualitative and quantitative research techniques (see Greene *et al*. 1989, Rocco *et al.* 2003) in a single study to collect numbers and words respectively. Other researchers such as Sechrest and Sidana (1995), Johnson *et al.* (2007), Lincoln and Guba (2000) and Bryman (2008) affirmed that mixed methods will allow the researcher to generate better research questions due to its superior nature by combining the best of both research techniques and avoiding their limitations. Likewise, Tashakkori and Teddlie (1998) affirm that, by using multiple methods, the researcher also gains a thorough understanding of the results, discovers new perspectives and develops new measurement tools, and this will allow more perspective on the phenomena to be investigated; whereas Rossman and Wilson (1985), Dunning *et al.* (2007), Johnson and Onwuegbuzie (2004) and Morgan (2007) compliment the methodological diversity and extensiveness of mixed methods research, which often results in superior research as compared to mono-method research.

4.3 Scope of the mixed methods research

Creswell (2009) defined paradigm as a basic set of beliefs or assumptions that guide ontological and epistemological beliefs; specifically, how the researcher will establish her/his relationship with the research inquiry (see Rocco *et al.* 2003) or a unique perspective adopted by the researcher in term of unravelling and accepting the reality in natural and social science (Mink, 1992). Prior to the 1980s, researchers were caught in the qualitative-quantitative debate and the paradigm war (see, for example, Bazeley, 2002, Tashakkori and Teddlie, 1998); Kuhn argues that formation of a paradigm is necessary in building a research discipline (see Borrego *et al*.

2009: 53). Similarly, Burrell and Morgan (1979), based on Kuhnian terms, particularly argued that paradigms are incommensurable and the view becomes increasing prevalent that one cannot mix qualitative and quantitative research, i.e., if you have one you cannot have the other. However, during the 1980s, the philosophical debate went to the background (Bryman, 2006) and, after a period in the paradigmatic wilderness, (Bazeley, 2002) a combination of methods to study a social phenomenon came to be accepted as a beneficial research practice (Rocco *et al.* 2003). Similarly, Tashakkori and Teddlie, (1998) emphasise the use of whatever philosophical and methodological approach works for the particular research problem under study. Likewise, Azorín and Cameron (2010: 97) uphold the view that mixed methods research must be viewed as a method, thus permitting the researchers to use diverse philosophical foundations to justify the research approach. Following are a few examples of the mixed methods research being used more recently (Table 4.1):

4.4 The research design

There is a clear disagreement between scholars like Saunders *et al*. (2007) and Crotty (1998) concerning the order and the nature of research stages. A study by Saunders *et al.* (2007: 132) presented "*the research onion"* in which the researchers have divided the research process into six stages, i.e., philosophies, approaches, strategies, choices, time horizon, techniques & procedure; whereas Crotty (1998: 3) broke down the research structure into four steps: epistemology, theoretical perspective, methodology and methods. However, in the domain of Mixed Methods Research (MMR), researchers such as Teddlie and Tashakkori (2010) devised different types of mixed methods designs, e.g., sequential, multi-level and designed based upon dominance, i.e., which method should be given dominance or if both methods should be employed in a parallel way. The following section, Table 4.2, illustrates the research blueprint of this study, while section 4.4.2 elaborates the mythological considerations, e.g., the Mixed Methods Research process in detail together with the potential advantages associated with the selected research design in this research.

4.4.2 Research process

In this study, the rationale behind using the mixed methods research is, as asserted by Issing *et al.* (2001), that banking is a combination of science and art or the blend of quantitative and qualitative factors; analytic models and financial analysis may help to predict the future cost and revenues but these models cannot replace the judgement factor regarding consumer attitudes, stock markets and the behaviour of financial markets. Likewise, De-Grauwe (2002) advocated the same: that the logical analysis ought to be parallel with creative feelings. Therefore, the subject research is not biased towards any particular research method or paradigm. Furthermore, as highlighted in Chapter 1, the researcher intends to collect the data from two distinct sources, i.e., the ordinary customer and the UK retail banking providers. Thus, this study has utilised *a two-phase-sequential mixed methods study;* QUAN => QUAL (see, for example, Bazeley, 2002; Creswell, 2009; Thurmond, 2001; Teddlie and Tashakkori, 2010, for details) where equal paradigm status has been given to quantitative and qualitative components of the study. The logical reasoning for the selected mixed methods research is further elaborated in this section.

In the first quantitative phase, the proposed research has adopted a deductive approach, because it is a good fit for theory testing (see Borrego *et al.* 2009; Crotty, 1998; Miles and Huberman, 1994; Robsons, 2002, for details) and, through a self-administered questionnaire, multiple hypotheses will been tested to identify different variables behind the eroding trust in the UK retail banking industry and the general public perception towards a *best fix*. Furthermore, the rationale behind using the quantitative research is, as Easterby-Smith *et al.* (1999) assert, that quantitative research can be the basis for valid and true findings, and Dunning *et al.* (2007) stated that the main benefit of quantitative method is that it increases a researcher's confidence in the data findings.

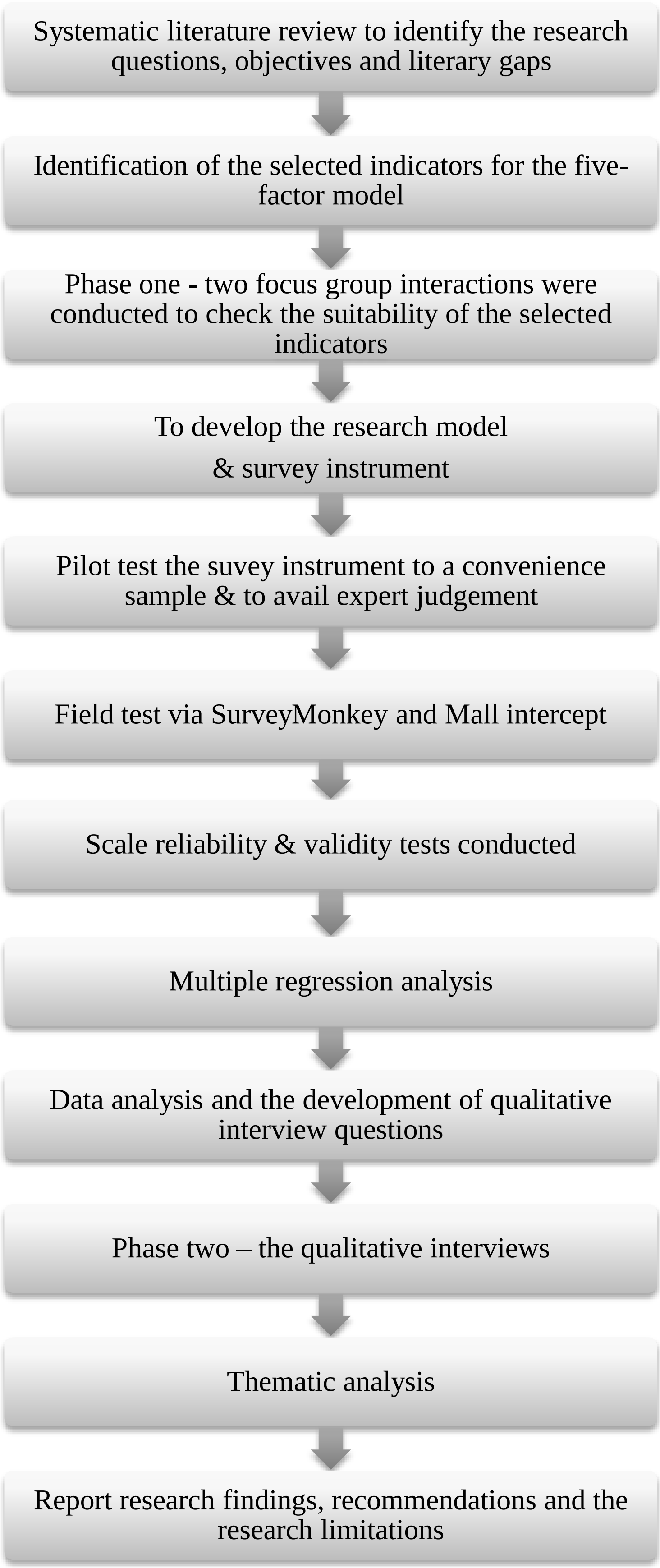
Numerous prominent researchers also favour quantitative research while analysing the causal relationship between variables (see, for example, Bogdan and Biklen, 1998; Bryman, 2008; Denzin and Lincoln, 1998; Easterby-Smith *et al.* 1999; Hoepfl, 1997, for details), which actually fits well with the current research, as the aim of this research is to analyse the effect of the recent financial crisis on consumer trust in the UK. However, Hirschheim *et al.* (1998) argued that quantitative research is so institutionalised in our society that data not grounded in the quantitative domain is simply dismissed as un-scientific and therefore invalid.

Table 4.1: Mixed methods research studies

AUTHOR	TECHNIQUE	SEQUENCE	REASON
Poortinga *et al.* (2004)	Questionnaire combined with focus groups	QUAN => QUAL	Focus group data was used to illustrate findings from the questionnaire.
Laub and Sampson (1998)	Secondary data analysis combined with personal interviews	QUAN => QUAL	The qualitative data was used to amplify the quantitative findings
Sutton and Rafaeli (1998)	Observation combined with personal interviews	QUAN => QUAL	Used mixed methods research to solve a puzzle: the case of displayed emotions in convenience stores
Harkness *et al.* (2006)	Semi-structured interviews combined with questionnaire	QUAL => QUAN	Mixed methods research has helped to utilise a triangulation and the qualitative findings have helped to development of the questionnaire
Pernice (1996)	Questionnaire combined with interviews	QUAN => QUAL	Mixed methods research was used to get a more complex set of attitude with regards to intention towards job in New Zealand (p: 621)
Tripped *et al.* (2002)	Interviews combined with experiment study	QUAL => QUAN	The inferences that are derived from the qualitative study are then subsequently tested by the quantitative approach (p: 622)
Wajcman and Martin (2002)	Questionnaire combined with qualitative interviews	QUAN => QUAL	Their research has shown how a mixed methods research approach was able to reveal much more than could have been identified through one approach (p: 623)
Blatchford *et al.* (2003)	Observation & questionnaires combined with semi-structured interviews & detailed case studies	QUAN => QUAL	Their mixed methods research was used for instrument development (p: 622)

Source: Compiled from Bryman (2008)

Figure 4.1: The research blueprint



Therefore, in phase one of the study, a self-administered questionnaire have been used as a survey instrument, as questionnaires are very widely used in large-scale investigation of customer attitudes and preferences (see Easterby-Smith *et al.*, 1991). Unfortunately, while conducting this study, the high street banks refused to allow the researcher to interview their customers in their banking premises [especially on the topic of customer trust] while customers were leaving the bank after their daily banking activities.

Likewise, many customers also refused to be interviewed on the grounds of busyness. Hence, keeping in view the length of the requested information (see Appendix C for the survey instrument), it was decided to transform the research objective in to a self-administered questionnaire for the banking customers who can complete it in the comfort of their home during their spare time. The preparation of the questionnaire was principally based on the systematic literature review that has been provided in Chapters 2 and 3. As the current study's emphasis is on looking forwards not backwards, for this reason equal emphasis is placed on the qualitative aspect of the research as well. The rationale behind using the qualitative technique is because this type of research is specifically effective for answering questions like "how" (Maxwell, 2005). Likewise, Saunders *et al.* (2007) asserted that the flexibility of the qualitative method can be well utilised to explore complex issues.

Similarly, Ghauri and Gronhaug (2005) affirmed that qualitative research focuses on interpreting understanding through the researcher's collaboration with the participant and uses different interview techniques to explore an individual's views or beliefs on a particular issue. Consequently, through data triangulation (see Campbell and Fiske, 1959; Denzin, 1978; Saunders *et al.* 2007 for details) statistical information from the survey findings will inform the qualitative phase of the study. Thus, by combining a quantitative survey with a qualitative component, i.e., semi-structured interviews, the current exploratory study offers a more complete portrayal of the conditions being examined. Similarly, the triangulation is grounded on the notion that any bias inherent in a single data source and method would be neutralised when used in combination with other data sources and methods (Greene *et al.* 1989:259, cited in Rocco *et al.* 2003).

Similarly, to incorporate Metrological Triangulation, topic-oriented semi-structured interviews have been conducted with the different regional managers, branch managers, business managers and other frontline employees throughout the banking industry to elaborate the same phenomena (Denzin, 1978), such as their efforts to reinstate customer trust combined with their participation in the reforms but most importantly how to repair the massive breakdown in trust between banks and the *business community*. As the British business community is now among the main critics of the industry, in order to meet their balance sheet reductions targets, the UK banks have reduce their exposure/lending to British businesses (Wilson, 2013).

Figure 4.2: Detailed MMR sequential design

Source: Adopted from Creswell (2009)

4.5 Focus group interactions

Adhering to the *positivist approach* in this study has allowed the use of deductive and inductive approaches; i.e., the researcher has opted for the use of focus group interactions to refine the study questionnaire and check the appropriateness of the existing variables. Therefore, before conducting the main quantitative and qualitative research, two focus group interactions were conducted as an attempt to check the suitability of the selected latent variables and to conclude those areas which required additional research. Similarly, with the help of these focus group interactions the researcher has been able to use appropriate terminologies and concepts in the survey instrument.

This idea of conducting focus group interaction to clarify the survey instrument is quite consistent with the prior research of Livingstone (2006, cited in Bryman 2008: 619) "that the findings deriving from focus groups with children concerning their use of the internet, were used to inform the content of questions concerning online privacy in a subsequent questionnaire survey". Likewise, a study by Wilson (1997) reported that the use of focus groups as a technique for extracting participants' perceptions and opinions regarding a particular issue has grown in recent years. In this regard, two focus groups were conducted with a non-randomised and voluntary-based participation. Additionally, based upon the findings of Calder (1977) that "heterogeneous groups might yield rich information"; every effort has been made to incorporate different mainstream UK banking customers. Similarly, based upon Kitzinger

(1994) idea of "collective remembering", no efforts were made to prohibit friends or associates from attending the focus groups. As an icebreaker and to encourage self-disclosure (see Krueger and Casey, 2000) the participants were asked about their general view of the recent banking crisis and later they were encouraged to discuss an open-ended question, "What drives customer trust in banks?" – Particularly the post 2007-2008 banking crisis scenario coupled with the recent series of mis-selling scandals. This has been followed up with the probing question "How will the UK banks be able to regain trustworthiness?" which is strengthened by organisational expertise, honesty and competency. The focus groups consisted of nine and seven participants respectively. In all, the group discussion consisted of five men and eleven women, with a mixture of retired, working class, unemployed and students.

Table 4.2: Participants profile – Focus Group 1

Participant	Gender	Work Status	Age
1	Female	Part time job	51
2	*Female*	*Student*	*23*
3	Male	Full time job	46
4	*Female*	*Full time job*	*33*
5	Male	Student	32
6	*Male*	*Retired*	*62*
7	Female	Retired	65
8	*Female*	*Unemployed / income Support*	*50*
9	Female	Unemployed / income Support	25

Participants profile – Focus Group 2

Participant	Gender	Work Status	Age
1	Female	Unemployed / income support	18
2	*Male*	*Self employed*	*52*
3	Male	Student	25
4	*Female*	*Full time job*	*40*
5	Female	Disability allowance	46
6	*Female*	*Self employed*	*40*
7	Female	Part time job	33

The researcher played the role of both an observer and a facilitator, making an effort to ensure that all the opposing perspectives and ideas were heard. The group dynamic involved members stimulating each other, which is the basic rationale for the technique (Calder 1977). Equal attention has been given to the body language of the participants, which indicated their level of conformity or non-conformity. Due to the concern of the participants with regard to their confidentiality, no video or audio recordings were made and only written notes were taken for further analysis. Focus group discussion led to some important insights which may not have been captured in isolation or in one-to-one interviews. The resulting discussion reaffirmed the existing variables, but also, based on the participants' feedback, led to two vital variables regarding "*customer complaints handling*" and "*branch presence*" being added to the five-factor model. In addition, due to the interdependent nature of the relationships in the financial sector, frontline staff attitudes, honesty, and expertise were very much emphasised.

4.6 The use of semi-structured interviews

As discussed earlier, in the qualitative phase of the study topic-oriented semi-structured interviews were chosen as the main data collection technique because they allow for clarifications and immediate follow-up questions (see Lam, 2010; Saunders *et al.* 2007). In addition, the personal or face-to-face interviews are the most suitable means of data collection for sensitive financial information due to their superior ability to build depth, confidence and let the informants provide interview content (see, for example, Crotty, 1998; Denzin, 1989; Robsons, 2002, for details). Similarly, in this exploratory study, the idea of utilising semi-structured interviews links well with the essence of the study in order to get a deeper understanding amid different variables and the banking officials' personal views regarding how to restore CTRB in the post-crisis scenario. In addition, the respondent body language can be an added bonus to the interview process. However, Wimmer and Dominick (2011) assert that personal interviews are time consuming (to conduct the physical interview coupled with transcript analysis) and very costly, particularly if *monetary efforts* are used to train the interviewers.

Moreover, the researcher's naivety with the research topic may result in incongruous information. The researchers have further argued that personal interviews might get biased towards the interviewer's personal influence, making an interview subject to interviewer bias. Conversely, to begin with, prior written invitation letters for an interview explaining the scope of this study were sent to different high street banking officials on the University of Liverpool official letterhead paper. Upon indicating their willingness, different manages and other staff was contacted to be interviewed. All personal interviews were conducted between 1st February 2014 and 31st March 2014.

The participants have signed a formal consent form (see Appendices A & B) and upon their formal consent the researcher was able to answer any further concerns they had regarding this study and its scope. Adhering to the research ethics, the researcher did inform the participants of the study that he is an existing employee of a UK-based bank, and this research is purely to pursue his PhD on a self-financed basis. Similarly, there is no other hidden agenda to these interviews. The participants were given a brief induction regarding the scope of the study. As the researcher was an *insider* a few participants were reluctant to open up, but once they were given the wider implication for the current study and how it could be beneficial as a whole for the retail banking industry in the UK they provided the relevant information.

During these interviews, each banking official was allowed to express her/his bank's present stance on how to reinstate its customer trust and what improvements it has made since the start of the crisis to curb the erosion of trust. In doing so, no attempt was made to provide respondents with the definition of trust or trustworthiness and the researcher allowed them to express their own views regarding *what they perceived as customer trust and organisational trustworthiness*. To boost the research validity, a triangulation process has been adopted by interviewing different area managers, branch managers and even frontline employees from different banks to check the consistency of the responses. Further, to boost the confidentiality and anonymity in the interview process, the respondents were given the choice to choose a location for the interview, and they were assigned a pseudonym to maintain anonymity, such as Manager 1, 2, 3 and so on.

The interviews with area and branch managers were conducted in their banking premises, while two FLEs chose a nearby coffee shop for their interviews. To maintain the internal validity in the interview phase of the study, this research follow the guidelines set by Creswell (1998); for instance, triangulation, researcher bias, debriefing, peer reviews and external audit. Further details on how the semi-structured interviews were conducted and analysis through thematic analysis are provided in Chapter 7, section 7.1.

4.7 Survey instrument and selected indicators

According to Creswell (2009), the major strength of a survey questionnaire is its ability to reach geographically isolated areas, coupled with anonymity offered to the respondents; which is a key selling point when it comes to financial services, and the general public may provide true and uninhibited responses. Additionally, the body or the appearance of a questionnaire will indicate if the respondent will fill in the questionnaire comfortably and return it. Therefore, every effort has been made to give the research questionnaire a professional look, e.g., a proper title and small sentences were used with basic terminologies, followed by plain and brief information on how to complete and return the questionnaire. As discussed earlier, the proposed research has collected data from two main stakeholders, the UK banks or the service providers (the trustee) and contemporary public (the trustor), with the optimism that it will generate superior findings (Yunus, 2009).

A two-part, self-administered questionnaire has been used as a survey instrument, as Brace (2008) argued that most people have some experience in completing questionnaires and they are not as much o trouble as telephonic or face-to-face interviewing. Congruent with this perspective, Creswell (2009) stated that surveys can assist as a quantitative blueprint that permits the research to statistically describe the perceptions of the respondents that are being studied and thereby make certain conclusions. All questions were closed-ended rather than being open-ended.

The respondents were able to rate each item on a 5-point Likert-type scale ranging from strongly disagree, disagree, not sure/neutral, agree and strongly agree (1 as SD and 5 as SA). Although there are contradictory views with imperial evidence regarding different scales, for instance, item response options from 3, 4, 5, 6, 7 even up to 9 scale items have been used in different studies with claims of maximum reliability (see Chang, 1994, for a comprehensive review), this study has stuck with a 5-point Likert scale as it has already being used in the original studies from where most of the indicators have been adopted. The first part of the questionnaire is designed to reflect on the demographic and socio-economic profiling of the respondents, while the second part has illustrated their perceived perception concerning their retail bank/s cognitive and affective trust dimensions.

Table 4.3: Measurement of the constructs

Constructs	Measure adopted
Cognitive Trust 1. I have found it has a reputation for being *reliable*. 2. I have found it has a reputation for being *honest*. 3. Based upon my bank's track record I have a good reason to doubt their competence. 4. My bank has always looked after me. *5.* I have always been provided with an error-free banking facility. *6.* My bank has always kept my transection confidential	Item 1, 2 &3 are adopted from the Financial Service Research forums (2007, 2008, 2009, 2010, and 2011); item 4 & 5 are adopted from Parasuraman *et al.*, (1988); item 6 from Coulter and Coulter's (2002)
Affective Trust 1. My bank charges me reasonable service fees & account charges. 2. My bank keeps me well informed regarding bank charges & fees. 3. Since the banking crisis I have to wait longer in the queue in my local bank branch. 4. I have found my bank is very active regarding *fraud preventions* measures. *5.* My bank will make a *thorough analysis* before offering products and services to me.	Item 1, 2 & 5 modified from Ennew *et al.*, (2011: 75) and item 4 is modified and adopted from Hoffmann and Birnbrich (2012) & Oliver and Bearden (1985)
Customer Engagement 1. I have found my bank's online facility is user friendly and very informative. 2. I have always been offered a personal review every 12 months. 3. I have found my bank holds accurate information about me. 4. It is easy for me to have a 24/7/365 relationship with my bank. *5.* I have found my bank is well active on the social media conversation with their customers.	Item 1 from Parasuraman *et al.*, (2005) & Kim and Lim, (2001), item 3 from Abdullah *et al.*, (2012); item 2 from Kohli *et al.*, (1993); item 4 & 5 from Roy and Shekhar (2010)
Branch Presence 1. I think the branch network is a sign of a bank's commitment to its customer. 2. I can get most of my banking done without visiting a retail branch. 3. With the closure of my local bank branch I'm saving less money now. 4. I think supermarket is a best substitute for my local bank branch. *5.* I visit my local branch if I have a problem with my bank account.	Item 1 is adopted from Matute-Vallejo (2011); item 2 from Amin (2009), item 3 is adopted from Stix (2013); item 4 is adopted from Ha and Muthaly (2008); item 5 is adopted from (Meuter *et al.*, 2000)
General Perception and Future intentions 1. My bank offers competitive interests rates *2. I would strongly recommend others to deal with my bank*	Item 1,2 & 5 adopted from Levesque and McDougall (1996); 3 & 6 from Ngobo (2004);

3. I trust my local bank based on their past experience 4. I think my bank can do a lot to restore my trust 5. Due to my bank's present performance I want to switch my account elsewhere 6. I am quite optimistic regarding the future of my bank *7.* I am quite optimistic regarding the future of the British retail banking industry	Adams *et al.* (2010) and Sung and Kim (2010); item 4 from Bravo *et al.* (2009); item 7 from Hosmer (1995).
Financial Literacy 1. Bank statements are complicated for me to understand 2. I do understand the importance of personal financial review 3. Direct debit mandate & standing order agreement are confusing to me 4. Individual saving account (ISA) is my tax-free saving allowance per year 5. Financial services are complicated and confusing for me to understand	All items has been adopted from Marriott *et al.* (2010)
Staff responsiveness 1. I have found my bank's staffs are always *willing to help* me. 2. Have a *concerned* and *caring attitude* for me. 3. My bank's staffs maintain a *professional appearance*. 4. I have found staffs provide me with different alternatives for my transaction/banking. 5. My bank's staff always provide me with an exceptional service	Item 1, 2 & 3 has been adopted from Parasuraman *et al.*, (1988); item 4 from Coulter and Coulter's (2002) & item 5 has been modified from Ennew *et al.*, (2011)
Complaint Handling 1. Clear instructions were given to me regarding how to raise a complaint. 2. I have found encouraging staff attitude while recording my complaint. 3. I was kept informed on the progress of my complaint until a resolution was reached. 4. I was always given a clarification of the cause of the problem. 5. If the answer was *No* I was always given a satisfactory explanation.	All items has been adopted and modified from Tax *et al.'s* (1998) & Stauss (2002: 176)

(All items were slightly modified to suit this study)

Babbie (1990; 2001) has advocated the use of a pre-existing scale which could be benefited from established validity and reliability, and an added bonus is its comparability with other studies. However, Leedy and Ormrod (2005) argued that advancing and employing a new scale explicitly for a distinctive phenomenon is often more suitable. Therefore, based upon the aforementioned arguments, the researcher has used both pre-existing and new indicators in this study. Furthermore, as the central tenet of this study is to identify various antecedents of customer trust in retail banking, the researcher applied a systematic approach, primarily by differentiating the consequences and antecedents of customer trust and finally to derive a set of antecedents of trust indicators with specific characteristics. To begin with, an inventory of different antecedents has been identified; for instance, financial literacy, customer engagement, customer complaint handling, staff engagement and branch presence. Additionally, different indicators have been used to assess these latent variables (see Table 5.1 for full detail), trailed by an assessment of the cognitive and affective trust dimensions of the British banks as their integrity and competence is being called into question due to the recent financial crisis of 2007-2008.

Therefore, for the subject assessment of the firm-level trust in the retail banking context, this study integrated cognitive and affective indicators of firm-level trust from the prior longitudinal research by "Financial Service Research forums" (2007, 2008, 2009, 2010, 2011) and two items from Coulter and Coulter's (2002) "six-item scale to measure the trustworthiness of a service provider"; which is quite consistent with the overall aim of this study to evaluate the integrity and competence of the banking sector rather than individual bank employees. However, the six-item scale model, to which more recently Gill *et al.* (2006) have taken an exception and used in Canadian banking industry to measure the trustworthiness of the bank relationship managers.

The scale items were re-worded in order to re-apply them to the general public's perception towards their banks following the recent financial crisis. The *reliability* of these re-worded items has being retested (see Chapter 5), e.g., whether they have any effects on customer trust. In addition, one item, branch presence has been adopted from two focus group interactions which were conducted for the sole purpose of this study. Therefore, five questions were specifically designed for this study to measure the effect of branch closures or customer migration efforts by the UK banks to mitigate the negative impact of branch closures. To incorporate the idea of service feature (cf. Teas and Wong, 1991), which could also be used to measure customer satisfaction, several enabling features (see Levesque and McDougall, 1996) – for instance, convenience as in branch locations, opening hours and availability of self-service facilities in the bank (automatic teller machine, cash & coin deposit machine) internet and telephone banking facility – were incorporated in the first part.

A study by Parasuraman *et al.* (1988) has grounded these above-mentioned features as *functional service quality measures*. The idea of incorporating demographical, socio-economic profiling, service features and enabling features is quite persistent with the previous research by Bahia and Nantel's (2000) Bank Service Quality (BSQ) model, which comprises 31 items classified across six dimensions: effectiveness & assurance, access, price, tangibles, range of services offered, and accuracy & reliability for measuring perceived service quality in retail banking. The BSQ model has also more recently been utilised by Glaveli *et al.* (2006) for collecting data on various dimensions of service in the context of banking services from Greece, Bulgaria, Albania, Republic of Macedonia and Serbia. The situational measures, for instance, information on financial services used, type of account/s held, affiliation period with the bank and how often customers go to their main retail branch, have been measured by three items: by asking respondent to indicate "different type of financial products they hold with their main bank", "the length of time they have been associated with their bank/s", followed by "how frequently they go to their local branch?".

Two items were added to measure customers' future intentions towards their main bank and perceived competiveness of their main service provider; these two items were borrowed from Levesque and McDougall's (1996) "Determinants of customer satisfaction in retail banking". Another latent variable, customer financial literacy, has been measured by incorporating five indicators in the second part of the questionnaire which were adopted from Marriott *et al.* (2010). In addition, as the current financial crisis has affected people in different ways, some more severely than other – for instance, job safety, wage cuts, loss of earning on savings, ever higher risk of being made redundant and struggling with getting a mortgage or a loan – hence, one item regarding "general public behavioural concern" or to what extent they are affected by the crisis is borrowed from Bennett and Kottasz (2012: 145) and has been added into part one of the questionnaire.

To obtain information on the significance of customer complaint handling, which is a technical service quality dimension (cf. Parasuraman *et al.*, 1988), five questions were adopted from Tax *et al.'s* (1998) and incorporated in the second part, which would be answered only if the respondents had ever been in touch with their main bank to raise a complaint during the last five years. Overall, these measures have been frequently used in different academic and practitioner studies; for instance, Hallowell (1996) "The relationships of customer satisfaction, customer loyalty, and profitability", Tax *et al.*'s (1998) seminal paper regarding "Customer Evaluations of Service Complaint Experiences", SERVQUAL measuring instrument by Parasuraman *et al.* (1998); more recently, the formulated Banking *Service Quality (BSQ) Index* by Abdullah *et al.* (2011: 551) – an indicator of performance for the Islamic Banking industry of Malaysia – and the seminal work by Stafford (1996), who successfully necessitated 68 attributes of bank service quality as perceived by the customers.

For the subject research, FLE has been considered as those employees who spent their time directly dealing with customers for transactions as well as responding to customer queries, problems and complaints across the bank branches. FLE definition is being adopted from the research of Yavas *et al.* (2010) in the New Zealand banking industry. Unfortunately, due to the practical difficulties involved in obtaining objective data from different banks to measure FLE performance, based upon the previous research – for instance, Evanschitzky *et al.* (2011), Brown and Lam, (2008) and Schlesinger and Heskett (1991) – *staff responsiveness* has been used as a proxy for measuring FLE job satisfaction level. Nevertheless, previous studies have utilised customer ratings (cf. Maxham and Netemeyer, 2003; Salanova *et al.* 2005, among others) to measure FLE satisfaction level. However, in the second phase of this academic research, in one-to-one qualitative interviews, banking executives/officials were requested to ascertain hard evidence towards investment in FLEs, with the optimism that, if the banking executives provided some hard evidence toward FLEs' satisfaction, it would be worth comparing this objective data with the ground realities, e.g., customers' ratings.

4.8 Pre-testing of the survey instrument

The essence of the researcher's efforts to pre-test the questionnaire is to make the survey instrument more robust to offer noteworthy information which was relevant to the research question and to systematically shield the areas involved in the study. The pre-testing is also vital to determine any systematic differences between the ways the researcher views specific measures versus the respondents (Flynn *et al.* 1990). Therefore, to confirm the face and content validity, the subject questionnaire's hard and soft versions were reviewed initially by two dissertation supervisors and later rigorously pretested with 23 members of the general public, 12 university students and a leading high street bank's management for any possible difficulty to understand the survey questions, general layout and the amount of time needed to complete the survey. The respondents were selected from a convenience sample, rather randomly as Flynn *et al.* (1990) adheres to the notion that there is no need to select the respondent randomly for pretesting. The respondents provided a verbal critique which involved a review of questions for simplicity of directions, wording, and response categories. Henceforward, based upon the respondents' debriefing, the survey instrument was further improved or made user friendly for the online version; for instance, making sure there was an active online link, appearance, selecting different options, transition between different web pages and finally submission of the entire questionnaire being recorded properly. The pilot testing yielded further critical analysis of the instrument and the following changes were made to the final questionnaire:

1. The section on financial literacy was reworded and merged with the general perception section in order to improve response rate as they have been returned incomplete.
2. Many respondents pointed out that they had multiple bank accounts; hence, to facilitate more accurate responses towards their main banking service provider, the words Main Bank were incorporated into the questionnaire.
3. Questions regarding respondent income, academic qualifications and ethnicity were moved towards the end of the questionnaire to improve response rate.
4. Banking officials pointed out the need to incorporate three questions in the survey instrument: firstly, who is the most trusted bank in the UK? Secondly, whether the respondents have worked for any financial institution; and finally would the respondents be willing to recommend their existing bank to their friends and family. Hence, these three questions were added to the survey instrument.
5. Reverse scoring/reverse coded questions were introduced to advance statistical reliability in the survey instrument as respondents pointed out repetitive patterns in some sections of the questionnaire.

The final questionnaire was distributed via the Facebook page of the researcher, using an electronic version of the questionnaire constructed through SurveyMonkey® via the following link:

https://www.surveymonkey.com/s/RFQPHBH

Recently, many prominent companies, for instance, Facebook, Philips, XM Radio, Humane Society and Samsung, among others, have used this online tool for data collection (SurveyMonkey, 2013). Therefore, for the subject research SurveyMonkey has been used as the online administrator and data collection tool. Recipients of the survey on Facebook and LinkedIn were also requested to snowball the link to other Facebook and LinkedIn users. The subject questionnaire paper-based version was also randomly distributed through different “Mall or Metro intercepts” and every effort has been made to ask different banks if they were willing to pass on these questionnaires to their customers or if their premises could be used to distribute these questionnaires, which they refused to allow. Further possibilities of obtaining good feedback were to distribute the questionnaire in the researcher's local university and to different administration offices with the request to snowball it to other universities.

4.9 Sampling

Sample selection is generally a vital stage in mixed methods research (see Collins *et al.* 2007); especially dealing with the sampling concern early in the study design will ensure the full potential of mixed methods research. During the sample selection every effort has been made to select a good representation of the target population for the quantitative phase, while in qualitative phase the personal interviews with the banks' managers have reflected proper saturation of information – a point where the researcher is not getting any more new information from the respondents (Teddlie and Yu, 2007).

Although Tashakkori and Teddlie (1998) argued that there is limited academic research available regarding sample selection in mixed methods research, Collins *et al.* (2007: p, 268) described the predicament in mixed method sampling as "the challenge of representation", which refers to the sample's inability to represent both the characteristics of quantitative and qualitative research, i.e., numbers as in sample size and words in regard to capturing the live experiences, respectively. The second challenge is legitimisation or validity, which refers to dependability, credibility and conformability, and this problem, is more serious in mixed methods research than mono-methods research (Johnson and Onwuegbuzie, 2004).

However, in the current study all these issues have been dealt with great care. The target population for the current study are adults aged 18 years and over in the UK with access to the internet and they must have at least one current account with any UK banking provider. According to the Office of Fair trading (2013: 27), "the vast majority of consumers have a personal current account, 94% of UK adults have at least one and 40% have more than one account. In total, there are over 76 million personal current accounts in the UK, of which more than 61 million are used regularly". Moreover there are 57,120,667.00 Internet Users in the UK[10].

[10] *http://www.internetlivestats.com/internet-users/united-kingdom/*

In relation to the sampling frame, as mentioned earlier, 94% of the UK adult population has a bank account; however, it is extremely difficult to get the customer databases from their respective banking providers due the Data Protection Act 1988[11] in the UK. Therefore, rendering to Bryman (2012) contention that, in such inaccessible sampling restrictions, non-probability sampling; e.g., convenience, snowball, quota and judgemental sampling methods is the least available options to the researchers. As the current research is based on a sequential research design, i.e., the quantitative phase of the study has been followed by the qualitative phase, a multilevel sampling technique will be adopted (Collins *et al*. 2007). Hereafter, due to the nature of the sampling population (non-availability of a proper sampling frame), it has been decided to opt for convenience sampling, a sub-form of non-probability sampling method for the quantitative and quantitative phases of the study (cf. Miles & Huberman, 1994). Similarly, Bryman (2012) has highlighted convenience sampling as the selection of a sampling frame on the basis of suitable accessibility and propinquity to the researcher.

Most common examples of convenience sampling are "mall intercept, unsystematically recruiting individuals to participate in the study and also including a brief questionnaire in a coupon mailing" (Battaglia, 2011:524). The author has further highlighted the recent trends in non-probability sampling as "web based survey is the one new example of non-probability sampling", followed by email addresses database from different database management companies and respondent-driven sampling etc., which is more inclined towards snowball sampling, where the respondents can snowball the survey link to other internet users (p: 526). However, Wretman (2010: 29) contended that the research community has been "indoctrinated to look at non-probability sampling with suspicion"; therefore, the researcher should always ask her/himself the question: "is there any reason to suspect that the survey participants are much different from the population units with respect to the distribution of the study variable?" For instance, consistently very high or low value; if a certain type of people to fill in the survey; or even if a certain sex, age and income group have greater disposition to become respondents. In a relative vein, Cooper and Schindler (2011) stated that a prudently organised non-probability sampling may yield acceptable results. Similarly, in the case of the present research there is a balanced distribution in term of socio-economic and demographical factors (see Chapter 5) followed by the general public's willingness to participate; as discussed in the early

[11] *http://www.legislation.gov.uk/ukpga/1998/29/contents*

chapters, in general the UK population is being affected directly or indirectly by the current banking crisis, which might have prompted them to participate in the current study. In addition, in the present study, to mitigate any bias towards using purely an online survey, this has been balanced with the paper-based questionnaire through mall intercept platform, in case some respondent may find it difficult to fill in an online survey or vice versa. Furthermore, students from different universities were also give the copies of the questionnaire to fill in and were requested to snowball further copies to friends and relatives. Sample size has been grounded as another important consideration in any study; for instance, Hair *et al.* (1998) caution researchers that it can impact on the statistical test results, either too sensitive at a very small sample or overly sensitive at a very large sample.

The second point, according to Hair *et al.* (1998), is that the researcher should not factor analyse a sample of fewer than 50 observations and, as a general rule of thumb, they must have at least five times as many observations as there are variables to be analysed. However, in the current study, there are 50 items before the factor analysis and according to Hair *et al.*'s guidelines it should have at least a minimum of 225 cases to conduct a factor analysis. The current research dataset is enriched with 508 complete responses; hence, the dataset is fit for factor analysis. The authors have further argued about the suitability of the sample size for the multiple regression analysis as it can have a direct impact on the appropriateness and the statistical power of multiple regression analysis; as a general rule of thumb the researcher must have at least a minimum of 100 observations available for this technique; yet again it should not be a problem for the current research as it has 508 complete responses open for regression analysis.

4.10 Secondary data analysis

Secondary data from different surveys and content analysis of the published reports has been incorporated in the study, as there are several reasons why secondary data should be considered as a serious complement to collecting new data (Bryman 2008: 296). Firstly, it has assisted in improving the management of the research questions; secondly, it has allowed the researcher to spend more time on the analysis and interpretation of data. Though, the main advantage of secondary data is cost and time saving, and the prospects of having access to good quality data for a tiny fraction of the resources involved. Flick (2009) asserts that high quality of data is also quite evident in secondary data analysis as many of the datasets that are employed most frequently for secondary analysis are of extremely high quality and secondary data from quality archives would have been far better quality than researchers could have collected in such a limited budget on their own. Saunders *et al.* (2007) stated that secondary data reanalysis may offer new interpretations; a secondary analyst may decide to consider the impact of a certain variable on the relationships between variables of interest and such a possibility may have not been envisaged by the initial researcher. However, apart from many advantages, the secondary data also have a few limitations.

Crotty (1998) mentioned lack of familiarly with the data, as the data would have been collected by somebody else, so a period of familiarisation is necessary. Kumar (2005) argued that complexity of the data may be another limitation of secondary data as sometime the shared volume of data presents problems with its management. Bryman (2008: 301) highlighted the main limitation as no control over the data quality; the quality of the data may never be taken for granted, since the data may not be collected for the specific topic of interest in hand and commercial organisations may charge high prices for copyright material; but this problem has been avoided through the use of strong tertiary sources, i.e., Emerald, EBESCO, Athens, official statistics, quality newspapers & industry magazines and www.data-archive.ac.uk. Liverpool University log-in has been used to access all these quality resources with the main emphasis on peer-reviewed quality journals.

In the current perspective, the key words/variables which have been searched individually and in different combinations are: the UK banking industry, financial crisis, securitisation, financial regulation in the UK, subprime mortgage market boom in US & UK, staff satisfaction, customer satisfaction, customer retention, customer loyalty, cognitive and affective trust, dimensions of trust, organisational trust, institutional trust, customer trust, the universal banking model, mixed-methods research and triangulation among others; these comprehensive key word searches have been carried out by using databases like Springerlink, JSTOR, Mintel, Datamonitor, ScienceDirect, Emerald, Wiley Interscience and Business Source Premier complemented with University of Liverpool library services. Moreover, textual analysis of government documents (Flick 2006) BoE, FSA, BIS, OECD, and IMF economic outlook has been an added bonus to the research finding.

4.11 Primary data analysis approaches

In the following section different data analysis techniques have been elaborated on how the qualitative and quantitative data has been analysed in this study. Initially, quantitative data has been analysed through utilising the overall mean and standard deviation of the dataset *(N=508)* in relation to the selected latent variables. To test the hypotheses (see Chapter 5), a number of statistical techniques were performed in the Statistical Package for the Social Sciences (SPSS) V20, including descriptive statistics, correlation analysis and multiple regression analysis, *N= 508*. In this regard, the adjusted R^2, R, F and *p* values are utilised for hypotheses testing. While, *the correlation analysis* (see, Chapter 5, for further detail) revealed several relationships that are consistent with the study hypotheses. However, as the proposed hypotheses required the study of diverse relationships as the variables may be directly or indirectly related, the correlation tests fail to demonstrate causality. Therefore, a hypothesis testing using correlation analysis was avoided in this research. Instead, to establish a more stringent analytical framework, Multiple Regression Analysis has been used to determine the impact of five independent variables on the retail banking providers' cognitive and affective dimensions of trust.

The use of factor analysis and correlation analysis has been highlighted in the next section under reliability and validity analysis. In addition, in the present study, the researcher has also conducted a post hoc analysis to investigate the effect of different *socio-demographic factors* on the five factors of the firm-level trust; and anticipation of *customer's future interaction with the banking providers*. The integration of the regression analysis for the hypothesis testing in this research is also consistent with the previous research by Roy *et al.* (2011), as the researchers have employed two multiple regression models for hypothesis testing to examine the relevant impact of the dimensions of trustworthiness and trust in the Indian retail banking industry. Similarly, from the Australian perspective, Avkiran (1997) utilised regression analysis to test their model of bank branch retail performance. In addition, multiple regression analysis has been used to identify sets of potential variables that explain each of the desired performance outcomes. For instance, Clemes *et al.* (2010), through a convenience sample of 421 bank customers, successfully utilised regression analysis to identify and rank the factors that impact on the bank switching behaviour of banking customers in China.

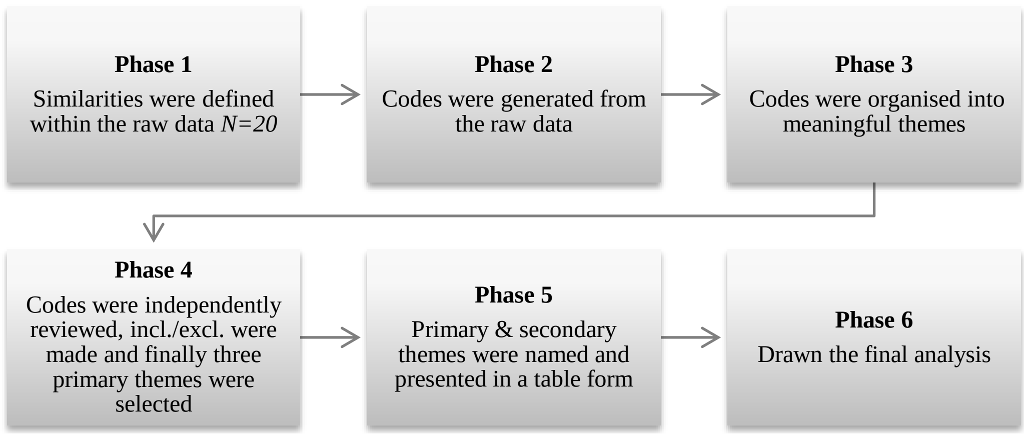
In order to ascertain the Indian banking perspective, Singh and Kaur (2013) utilised questionnaires as a data collection tool and, through a sample of 350 respondents, successfully utilised regression analysis to determine the factors that lead to the satisfaction of the customers with regard to e-banking services. Similarly, Gupta and Dev (2012) through a 28-item questionnaire, which was sent to 13 retail banking customers in India, identified the factors impacting customer satisfaction in Indian banks through regression analysis. In Switzerland, Mangold (2013), through a sample of 521 retail banking client advisors utilised four regression models to highlight the performance of client advisors in retail banking by analysing their revenue and the underlying determinants of these revenues. In a similar vein, Hensel (2006) analysed the relationship between size versus economies of scale and profitability by utilising regression analysis in the context of mega-merger waves in Japanese banking beginning in the late 1990s.

Regression analysis has also been successfully utilised by Narteh (2013) to identify factors as significant predictors of students' loyalty, which could have been used in retail banking to attract and retain student groups in Ghana. Likewise, to clarify the Mexican perspective, hierarchical regression analysis for hypothesis testing has also been successfully utilised by Selvarajan and Cloninger (2011) to examine the relationship between performance appraisal characteristics and perceived reactions of employees to the appraisal characteristics and appraisal outcomes amongst Mexican employees. In a more recent study by Nienaber *et al.* (2014), through a comprehensive meta-analysis, their final sample consisted of 93 studies and 38,631 respondents focusing on organisational trust antecedents. In their sample, 22 studies have used regression analyses for hypothesis testing.

4.11.1 Thematic analysis

On the contrary, in the field of Social Sciences, qualitative data can be analysed through content and thematic analysis amongst a variety of other methods, e.g., narrative analysis, textual analysis, ethnography and discourse analysis etc. In content analysis, researchers mainly determine the frequency of occurrence of a particular category or generally count the attributes in datasets with the help of appropriate software. This technique can quickly follow large text files for different keyword/codes (Clarke and Braun, 2013). Furthermore, due to its ability to scan raw data, content analysis is regarded as a highly reliable and efficient technique since less personal interpretation is involved. However, Namey *et al*. (2008) argued that the primary drawback of content analysis is *that the context is usually not considered*, which may limit the richness of the summary data produced. In contrast, thematic analysis (thereafter, TA) is a more involved technique as it moves beyond counting explicit words or phrases and focuses on identifying and describing both implicit and explicit ideas in raw data (Namey *et al*, 2008: 138). To some writers a theme is more or less the same as a code, whereas to others it transcends any one code or a combination of codes (Bryman, 2008). Therefore, to researchers such as Clarke and Braun (2013) validity and reliability is an issue while conducting TA. However, by introducing independent code analysts, researchers may overcome and balance the validity and reliability by limiting the researcher's personal bias.

Figure 4.3: Thematic analysis process



According to Hayes' (1997) findings, thematic analysis has been favoured as an analytical method for data analysis due to its robust ability to capture the complexities of meaning in the textual dataset. TA also works well with a wide range of research questions, from those about people's experiences or understandings to those about the representation and construction of particular phenomena in certain contexts (Clarke and Braun, 2013: 120). Moreover, there is a strong conceptual framework in place in theory (as discussed in Chapters 1 and 2) to comprehend trust-related issues in business-to-customer relationship, despite the fact that it is not clear how the UK banking providers will meet that momentous challenge following the recent financial crisis. As a result, there is a desperate need for a *context-specific exploratory study* and, by utilising the semi-structured interviews; the present study has been able to comprehend the banking providers' views, such as what they constitute as the antecedent of trust and how they will be able to regain their customer trust. In this study, the researcher has put particular emphasis on the six-phase approach proposed by Braun and Clark (2006) for the

TA and to report common themes within the dataset. Their six-phase analysis involved: establishing similarities within the transcripts, which were carefully checked and understood by repetitive reading through the entire dataset in phase one, followed by data organisation or generating initial codes in phase two which were linked to the specific parameters of the study, such as various issues and contexts identified by the respondents. The researcher has opted for "the data driven code generation approach", as this approach may be considered to have greater validity due to its flexible approach to the discovery of themes or ideas not previously considered, resulting in a theory that is "grounded" in the raw data (Namey *et al.*, 2008:139). There were no pre-arrangements in place regarding codes, as bankers' comments to these open-ended-questions were not known; hence, an inductive approach was utilised for code generation in the TA process (cf. Boyatzis, 1998).

Therefore, codes were derived from the dataset or transcripts at the very end prior to any analysis. In phase three, adhering to Braun and Clarke's (2006: 82) findings, as the researchers have defined a theme as "it captures something important about the data in relation to the research question and represents some level of patterned response or meaning within the dataset", initial codes were arranged into potential themes by recognising meaningful repeated patterns across the data. They were then independently reviewed by the facility supervisor as part of phase four in order to establish any expansion or exclusion of initial themes.

Consequently, following their debriefing, themes were named in phase five, thereby allowing analysis to be covered in phase six. Furthermore, Joffe and Yardley's (2004) interpretation of *bulk of data* requirement for TA as an important pre-condition was also fulfilled in this study as the raw data comprised 20 interviews – as Joffe and Yardley argued that one or two transcripts may not yield the required rich outcomes and may limit the researcher's ability to generalise the survey findings.

Within the following steps, "theme searching" was conducted among the transcript which was closely linked to the objective of this research. An early study by DeSantis and Noel-Ugarrisa (2000) clearly pointed out that in a TA the researcher must search for and identify common threads that extend across the entire dataset. Therefore, all the themes were carefully reviewed to make a clear distinction amongst similar themes, before allowing a coherent outcome of the banking officials' experience regarding their stance on how to restore banks their cognitive and affective dimensions of trust. This study follows Bernard and Ryan's (2010) techniques (eight steps) to identify theme generation, which are listed as below:

- Any repetitions in the dataset: such as "the more the same concept occurs in a text, the more likely it is a theme" (Bernard and Ryan, 2010: 57)
- Indigenous typologies: to look for unfamiliar or local words which are industry- or field-specific, e.g., cost-oriented branch network or our customers are not channel hostages anymore etc.
- Any metaphors and analogies: natural human speech is full of metaphors (Bernard and Ryan, 2010: 58), e.g. the gold standards, people in ivory towers, no one bothers to read the small print or credit is the life blood of the economy etc.
- Transitions: pauses, changes in tone or the presence of particular phrases may indicate transitions and themes (Bernard and Ryan, 2010: 59) particularly in semi-structured interviews. Therefore, the investigator navigates the conversation from one topic to another.
- Similarities and differences: by making systematic comparison in the dataset.
- Any linguistic connectors: looking for the words "because, if, then, instead of, before, after and next" (Bernard and Ryan, 2010: 60) as these represent a causal, conditional, textual and time-oriented relationship among different topics.
- The missing data: rather than asking "what is here?" we can ask "what is missing?" (Bernard and Ryan 2010: 60); this can be identified by repeatedly reading the dataset and highlighting the markings, then reading the unmarked data and discovering the less obvious themes.
- Theory-oriented themes: the researcher may try to examine the data from a more theoretical perspective but this would require careful consideration as the researcher may get carried away with what s/he is actually looking for in the themes (Bernard and Ryan, 2010: 63). For detail thematic analysis of the data set *(N=20)* see Chapter 6.

In the following section assessment of the validity and reliability of the measurement scale has been conducted by the measures suggested in the extent literature i.e., Hair *et al.* (1998); Flynn *et al. (*1990); McDaniel and Gates (1999); Herrera and Blanco, (2011); Schwab, 2005; Bagozzi (1994); Field, (2009) and Pallant (2010), among others.

4.12 Assessment of the validity and reliability of the scale

In the following section assessment of the validity and reliability of the measurement scale has been conducted by the measures suggested in the extent literature i.e., Hair *et al.* (1998); Flynn *et al. (*1990); McDaniel and Gates (1999); Herrera and Blanco, (2011); Schwab, 2005; Bagozzi (1994); Field, (2009) and Pallant (2010), among others. While designing survey instruments, the literature has suggested that, when the researcher arrives at the decision to select a particular measure for a survey, the next logical step should be to consider the validity and reliability of that measure by answering questions such as: is it reliable?, does it give us consistent results over time?, is it valid?, and does it actually measure what the researcher intended to measure?

Therefore, the survey instrument should have an acceptable level of reliability and validity in measuring the target constructs, although the use of multiple variables may raise the issue of *measurement error*, i.e. the degree to which the observed values are not representative of the true values (cf. Hair *et al.*, 1998). Thus, in assessing the degree of measurement error, the researcher must address both the validity and reliability of the instrument. Hair *et al.* (1998) stated that validity is the degree to which a measure accurately represents what it is being measured and reliability is the degree to which the observed variable measures the true value and it should be error-free.

4.12.1 The scale validity

According to Shipman (1988) scale validity is concerned with the meaningfulness of the research components or whether the researcher can be genuinely sure that the instrument measures the fitting concept rather than something else (Flynn *et al.* 1990). In this regard, Parasuraman (1986) established three validity measures for a survey instrument: face/content validity, construct validity, and criterion validity. The researcher has further defined face validity of an instrument as *the degree of measurement it deemed to measure what it is initially intended for*, but not something else. McDaniel and Gates (1999) devised a multi-phase guideline to ascertain content validity: to begin with the researcher must be sure regarding what is being measured, followed by a broad or systematic literature review of the topic in hand. Furthermore, the researcher should lodge the expert opinion to fully comprehend the research topic and finally must conduct pre-testing of the survey instrument to improve the quality of the survey instrument. Flynn *et al.* (1990: 266) argued that “If the content of a construct or the theory is faulty, no amount of reliability or construct validity will be satisfactory". In this study, content validity, which is also a prerequisite for construct validity, was achieved as per McDaniel and Gates' guidelines. This took place initially by identifying *the construct of interest* in advance of the data collection stage, which was achieved through systematic literature review in Chapters 2 and 3; thus the researcher clearly identified the research problem and research objectives. In addition, this was achieved by establishing the indicators which were closely linked with the construct, e.g., different antecedents of trust being identified to frame the research hypothesis. Furthermore, to strengthen the validity of the selected latent variables of the study, two focus group sessions were piloted.

The focus group findings have further validated the list of selected variables. In addition, even before the pilot study, two academics supervisors and a UK leading retail banking provider's staff have rigorously checked the content validity of the survey instrument. Further, after their debriefing, content validity was confirmed during the extensive pilot study by administering the survey to 20 members of the general public and encouraging them to bring forward any difficulty/comments in comprehending the survey instrument.

Finally, the survey instrument was considered fit for purpose after some minor changes. According to Edwards (2003), construct validity is the extent to which a test measures an intended concept up to its claims. In literature, it has been sub-divided into convergent validity, discriminant validity and nomological validity (Herrera and Blanco, 2011; Schwab, 2005). In an early study, John and Benet-Martinez (2000) defined convergent validity as the extent to which the scale correlates positively with other measures of the same construct or whether constructs that are expected to be related are in fact related; whereas discriminant validity, also known as divergent validity, is the extent to which the scale does not correlate with other constructs from which it is supposed to differ.

In contrast, nomological validity is grounded on evidence regarding the relationships between measures of the construct under investigation and measures of other constructs. This evidence should be consistent with relevant theory or with the results of previous empirical studies (Schwab, 2005). In this study the construct validity was obtained by correlation analysis (Flynn *et al.* 1990: 267); for instance, correlating each item in this study with its own scale. The results of these analyses are shown in Table 5.21. These results indicate good discriminant validity, as survey items were correlated with their own scales then with the other scales but not much highly correlated than 0.8 points, as suggested by Bagozzi (1994). Nomological validity has not been used in this research due to the lack of any previous data to enable the researcher to use it.

4.12.2 Construct validity

This type of validity is defined as "the degree to which a measurement instrument represents and logically connects, via the underlying theory, the observed phenomenon to the construct" (McDaniel and Gates, 1999: 311). Construct validity in this study has been the main assessment of validity and can be divided into two types of validity: convergent and discriminant validity. Convergent validity is "the degree of association among different measurement instruments that imply to measure the same concepts", while discriminant validity is the lack of association among constructs that are supposed to be different (McDaniel and Gates, 1999). Both convergent and discriminant validity must be present for construct validity (Bagozzi, 1996; Parasuraman, 1991; McDaniel and Gates, 1999).

Construct validity relates an instrument to a general theoretical framework in order to determine whether the instrument is related to the conceptual assumptions in the study. It has been decided to conduct exploratory factor analysis to determine the convergent and discriminant validity in the present study. Thirty-six items were developed supporting theoretical grounds to measure the research dimensions for the present research. Based upon prior research by (Pett *et al.*, 2003), to whom recently Roy and Shekhar (2010: 53) have explicitly referred, the criteria used for factor extraction should be two-fold: for instance, the Eigen value should be greater than one but more importantly the factor structure should be meaningful, useful and conceptually sound, hence high loading on one factor and no cross-loading revealed convergent and discriminant validly (see for detail Kaura, 2013). Following is the detailed exploratory factory analyses.

4.12.3 The factor analysis

The purpose of this scale reduction technique is to minimise a large number of variables to a more manageable size but predominantly to have a better understanding of those variables (Field, 2009). In this regard, Pallant (2010) stated that the process usually starts with large numbers of variables and once they have been paired and reduced to similar factors, they can be used for further statistical analysis such as different regression modelling. However, some variables may load into more than one factor, hence they may need factor rotation (varimax rotation) – a well-established techniques to deal with such a problem. The most common of all factor analysis techniques is principle component analysis (PCA), through which, after establishing the correlation among different variables, they are finally loaded to common factors under common themes. In the subject research the researcher used PCA with Varimax rotation; hence, after the PCA was performed using a Varimax rotation, certain items were identified for reduction or removal. Any items that had a loading of 0.3 and less has been suppressed or being removed from the scale. However, Loewenthal (1996) reported that it is not imperative to carry out factor analysis if satisfactory coefficient alpha value (see Section 5.6.2, for full details) of the instrument is attained; however, it would be empirically pivotal to ascertain how many constructs underlie a set of items by conducting factor analysis and also to validate the instrument construct validity as, in behavioural science journals, this technique has been adopted by almost one-sixth of the authors over the past thirty years (Gilbert and Veloutsou, 2004).

4.12.4 Reliability Analysis or internal consistency

Shipman (1988) defined reliability as, if the researcher has to replicate the research by using the same methods, would s/he be able to get the same results. Thus, embedded in this quote is the idea of consistency and stability of measurement instrument in research. Likewise, Drost (2001: 106) defined reliability as the extent to which measurements are repeatable – when different persons perform the measurements, on different occasions, under different conditions, with supposedly alternative instruments which measure the same thing. In addition, Schwab (2005) suggested reliability as an essential precondition for validity, but not sufficient.

Furthermore, to establish various aspects of reliability, Drost (2011) suggested test-retest reliability test, alternative forms reliability test, split-halves test and internal consistency test etc. Golafshani (2003) explicitly referred to the earlier work by Charles (1995) and stated that test-retest methods can be used to measure instrument stability, for instance, uniformity, with which survey items will respond, can be determined through the test-retest methods at two different times under the same conditions. Or simply, the test-retest reliability is the extent to which respondent scores are steady over time. However, fallibility of memory, extraneous factors/event and respondent progression over time may make the instrument defective, as the respondent scores may not be uniform. Similarly, in the current research it would be impossible for the researcher to re-test the instrument overtime due to the rapid changes in the UK retail banking market; and also the respondents might not be willing to fill in the questionnaire on two different occasions. However, the alternative form or parallel form of reliability may also be difficult to conduct due to its limitation of creating two surveys instruments which are essentially equivalent in terms of means and variances (Flynn *et al.* 1990). According to Doris (2011), internal consistency test reflects how well items on the questionnaire relate to other items, and the most popular method of testing for internal consistency in behavioural science is the coefficient alpha or most commonly known as Cronbach's Alpha.

In addition, Alpha is the average of the correlation coefficient of each item with each other item (Nunally, 1978). Furthermore, Cronbach's Alpha is a popular statistical technique as it incorporates every possible split of the scale in its calculation, rather than one arbitrary split, such as the split-half measure. Cronbach's Alpha is part of the standard reliability package in SPSS. The minimum generally acceptable Alpha value is .70 for any establish research; however, Nunally (1978) and Sekaran and Bougie (2010) suggested that allowing a somewhat lower threshold such as .60 for exploratory work which involves the use of newly developed scales is acceptable.

4.12.5 Coefficient Alpha

The more frequently used measure of reliability is internal consistency, which applies to the consistency among the variables in a summated scale. In internal consistency, the individual items or indicators of the scale should all be measuring the same construct and thus are highly inter-correlated (Pallant, 2010; Netemeyer *et al.* 2003; Nunnally, 1978). Hence, to determine the reliability of the multi-item scales, Cronbach's α coefficient is used and the reliability rates of all the components are found to be adequate as the values for each are significantly greater than the prescribed 0.70 thresholds (Salkind, 2011; Nunnally, 1978; Cortina, 1993). Cronbach's α coefficient is regarded as the most important test of reliability (Cohen *et al.* 1996; Murphy & Davidshofer 2001; Neuman 2003; Nunnally 1978) and the scores range from 0.0 to 1.0, and scores above 0.70 suggest that the items measured are similar enough to be considered the same thing (Vogt. 1999: 65). Therefore, it indicates that the proportion of variance in scale scores is attributable to the true score of the latent variable (DeVellis, 1991; Neuman 2003). It therefore determines the quality of a measure by taking into account all the inter-associations between all the items in the scale (Cohen *et al.* 1996; Loewenthal 1996; Murphy and Davidshofer 2001). While debate exists over what constitutes a reliable score, alpha scores above 0.60 are regarded as acceptable (DeVellis 1991, Nolan & Heinzen, 2008) particularly when there are fewer than 10 items per construct and the scale is new (Loewenthal 1996). Scores of around 0.80 indicate high to moderate reliability (Nolan and Heinzen, 2008). Cronbach's α coefficient alpha was undertaken on seven constructs yielding scores between 0.710 and 0.909 (see the table below). As such, the modified model is considered to be valid and reliable in all aspects. In other words, the instrument measures what it claims to measure and therefore the data can be used for further analysis.

4.13 Common method bias and the researcher prejudice

Common method bias has been an important challenge to be dealt with in the present study due to the primarily utilisation of the self-administered survey or single source survey; as it could be considered as a potential for common method bias (Conway and Lance, 2010). Similarly, Padsakoff *et al.* (2003) grounded poor instrument design, i.e., scale construction/poor item selection, single source/self-reporting, rater effect and the manner in which the instrument is being administered to the respondent, as common method bias. However, Conway and Lance (2010, see for detailed review) contended against most common misconceptions regarding self-reporting; for instance, "for considering self-reports to be inferior is the belief that if two variables are self-reported, the relationship will be inflated" and that other methods might be superior to self-reporting.

In the present research respondents were asked to rank both dependent and independent variables in a single study because the general public in the UK are the most effected entity due to the recent banking crisis/financial crisis. Thus, it would be unbiased for them to rank their own bank's cognitive and affective dimensions of trust followed by their own assessment of the different variables to repair that broken trust. To control for any bias in the dependent variable rating, in part one of the questionnaire a question has been added: "Have you ever worked/are you working for any financial intuition" as financial institution/banking staff might have portrayed a very rosy picture. Secondly, the survey instrument was administered through different platforms, i.e., SurveyMonkey and Mall intercept, to mitigate for the effect of single platform bias. In addition, students from different universities were also give the copies of the questionnaire to fill in and were requested to snowball further copies to friends and relatives.

In this regard, Conway and Lance, (2010: 330) recommended a four-step guide for the researchers to reduce the likelihood of any common method bias: (a) an argument for why self-reports are appropriate, (b) construct validity evidence, (c) control for the overlap in items for different constructs, and (d) evidence that the researcher has proactively considered common method bias. Hence, in the present study the researcher has taken great care to addresses all these steps in Chapter 4. As an insider and through his different roles in the banking industry, the researcher has the prior awareness of the way things are done at the bank and it may have narrowed his view to see the topic in hand with a fresh pair of eyes.

However, the researcher did manage to transform this limitation to his advantage as he has experienced it all first-hand when the banking industry was hit by the 2007/08 financial crisis, and how colleagues expressed anxiety and frustration when being labelled by the general public as dishonest and untrustworthy. Through his ability of knowing, understanding and being part of the retail banking culture, he has managed to comprehend things in great detail and the he believes that his rich experiences on the topic by being an insider helped him to generate significant and reliable research. In this regard, Bjorkman and Sundgren (2005: 404) stated that "as an insider, the researchers are potentially better positioned than outsider researchers when it comes to revelation of the true story."

4.14 The research ethics

A study by Jesani and Barai-Jaitly (2005: 26) stated that "no science is value free" and social sciences are certainly of no exception. Studies provide inputs to policymaking, rule formation, implementation of policies and adjudication of laws can affect people; therefore, social science researchers have to be guided by a code of ethics to protect the interests of those with whom they are interacting. Similarly, adhering to Cooper and Schindler's (2008) perspective, ethics are the norms or standard of conduct that guide moral choices regarding our behaviour and relationship with others. The purpose of ethics in any research is to make sure that the researcher must follow the relevant ethical guidelines and participants must not be bodily or emotionally harmed as a result of that research setting. Prior written or oral consent must be available from the respondents particularly if human subjects are involved. According to de

Leeuw *et al.* (2008), the researcher must comply with two major ethical constraints prior to any research, confidentiality and formal consent.

The participants' confidentially includes protection of personal identifiable information such as name, job title, organisation name, financial information, address or telephone details etc. Confidentiality issue also encompass data storage, i.e., how long their responses will be stored and who will be able to access the research dataset. Subsequently, informed consent applies to prior permission from the respondent for their participation; they must be informed in advance regarding the underlying purpose of the research, their rights to withdrawal, how their responses will be utilised and whether their contribution is free of charge or they will be paid for their participation etc.

Therefore, in this study any confidential information obtained from the general public or different banks will never be disclosed to any third party under no circumstances unless it was obtained from the public domain. In this study the questionnaire and personal interview *cover sheet* has elucidate the purpose of this study and asked for the participants' formal consent. The results of the questionnaires have informed the publication of this PhD thesis, different academic journal papers and presentations. All information respondents provided has been considered completely confidential and fully anonymous; for instance, bank name(s) and their personal views. This study has strictly adhered to the prescribed code of ethics of the University of Liverpool. Participation in this study was on a voluntary basis and the participants were not obliged to answer any questions if they were not comfortable with it or did not want to answer it. Respondents were able to participate in this survey via the following link:

https://www.surveymonkey.com/s/RFQPHBH

The respondents' personal information has not appeared in this thesis or any report resulting from this study. The data collected during this study has been retained for the duration of the study in a locked office in the University of Liverpool, secured on a password-protected computer and only the researcher and the study supervisors will have access to that dataset. There are no known or anticipated risks to the participants in this study. All survey participants received informed consent and were briefed about their ability to withdraw from the study at any time without any adverse consequences by instructing the researcher. To ensure confidentiality, all surveys were consistently identified by number code rather than name and maintained in a secure site. A full set of letters regarding personal interviews and focus group can be found in Appendix 2. Moreover, the researcher is aware of his role as an insider/bank employee, which allows him greater excess to different reports and personal than any outside researcher; therefore, the researcher recognises that this honour comes with additional obligations of upholding a greater notion of privacy, which the researcher upheld to the best of his ability.

4.15 Summary

This Chapter gives an overview of the methodology used in the present study that has been adopted to support the study objectives and to answer the two research questions. The researcher followed a mixed methods research approach with the relevant literature support. For the first quantitative phase a self-administered questionnaire was devised to assess the general public's views regarding their main bank's cognitive and affective trust dimensions and how to comprehend and restore the erosion of trust following the recent financial crisis. In doing so, different pre-existing scales were modified to develop the proposed five-factor model, which has been complemented by two focus group interactions to check the suitability of the target latent/independent variables. Subsequently, the data collection procedure was also debated, which has been collected through SurveyMonkey, Mall Intercept and by distributing copies of questionnaires to the different universities in the region. The discussion continued to explain the rationale behind selecting the semi-structured interviews for the qualitative phase of the study. Finally, the Chapter concludes with the pretesting of the survey instrument and by emphasising the relevant ethical issues pertaining to the study. The following Chapter presents the detailed analysis of the quantitative data, followed by the model formations.

Chapter 5

Data Analysis

The previous Chapter has discussed the methodological consideration of this study and has explained the underlying mechanism for the adoption of the mixed methods research to ascertain the research objectives. This Chapter presents the descriptive statistics and model formation, together with the validity and reliability analysis of the survey instrument. The Chapter also highlights the quantitative data analysis by utilising the overall mean and standard deviation of the dataset *(N=508)* in relation to the selected latent variables. Furthermore, the Chapter dwells upon the core statistical techniques, i.e., Regression Analysis, which has been used to test the statistical significant of the proposed five-factor model. In this regard, the adjusted R^2, R, F and *p* values are utilised for hypotheses testing. Overall, the proposed five-factor model yields promising results, as 71% of the variance is explained by the selected variables.

This chapter has four objectives: firstly, to underline the descriptive statistics of the quantitative data through the individual components. Secondly, different validity and reliability techniques have been applied to check the validity and reliability of the survey instrument, i.e., content validity & construct validity via factor analysis and internal consistency via Cronbach's Alpha (see Chapter 4 for mythological concerns). Thirdly, different robustness tests have been conducted before and during the regression analysis to test the sensitivity of the proposed regression models through Pearson's correlations and checking for the multicollinearity problems via Tolerance Statistics (TOL) and Variance Inflation Factor (VIF) as per Pallant's (2010) guidelines, and the results have confirmed that none of the recommended criteria have been violated. Finally, two sophisticated models with several predictors have been formulated to explore any causal relationship between the dependent and independent variables of the study followed by the hypothesis testing and result formulation. In addition, in the present study, the researcher has also conducted a post hoc analysis to investigate the effect of different *socio-demographic factors* on the five factors of the firm-level trust; and anticipation of *customer's future interaction with the banking providers*.

The online and paper-based questionnaire survey were open to the general public for the duration of five months, from 02 August 2013 (whereas, online survey was active from 27

August 2013) to 30 December 2013. For detailed statistical analysis, the data files were exported from SurveyMonkey in SPSS format and were analysed in SPSS V20. To confirm the accuracy of the data transfer from the SurveyMonkey platform to the SPSS, twenty cases from the SPSS were compared with the online data. In addition, the paper-based questionnaire responses were directly input into the SPSS, which yielded a total of 134 different coded variables for advance statistical analysis. Furthermore, SPSS V20 was also used as a primary medium for reliability analysis (Cronbach's Alpha) and factor analysis (Principle component analysis). Moreover, some of the frequencies, percentage and graphical illustration of the survey content, e.g., socio-demographic profiling, were evaluated through Microsoft Excel 2010. Following is the detailed account of the descriptive data analysis.

5.1 Descriptive analyses

5.1.1 General demographic analysis

5.1.2 Gender

Table 5.1: Gender

Answer Options	Response Percent	Response Count
Male	49.4%	251
Female	50.6%	257
answered question		***508***
skipped question		***0***

In terms of demographic and socio-economic profiling, gender, marital status, age, academic qualification, occupation, ethnicity, annual income and residential status were measured in this study. Of the 508 complete questionnaires (*N=508*), 110 were completed online via SurveyMonkey, with a standard deviation of just under 10 minutes to complete the survey. Within the 110 completed surveys, the percentage of male and female respondents was 47% and 53% respectively, whereas the gender ratio for the paper-based questionnaire through mall intercept and university students[12] was (*n=398*) 49.4% respondent were male and 50.6% were female. Thus, both platforms have indicated a greater proclivity for female to male respondents.

[12] *The universities in question are mass market institutions taking students from a wide range of diverse social backgrounds.*

5.1.3 Age category

Overall, a seamless blend of various ages have completed the survey; however, the sample is dominated by relatively younger customers, of which 46.3% of the respondents fell into the age category of 18-30 (18 was set as the minimum age), 19.10% among 31-40, 19.9% among 41-50 and 8.17% between 51-60, followed by 4.9% over 60s who have completed the survey. While a direct comparison between the sample and the population of bank customers is not possible, there are no reasons to believe that this pattern is not representative.

Table 5.2: Age

Answer Options	Response Percent	Response Count
18-30	46.3%	235
31-40	19.1%	97
41-50	19.9%	101
51-60	8.17%	43
Over 60	4.9%	25
Not answered	1.4%	7
answered question		**508**
skipped question		**0**

5.1.4 Educational background

The educational attainment was quite diverse and well distributed among different levels, as the academic qualifications reported by the respondents were indicated as 15.7% postgraduates, a significant majority of undergraduates (54.3%), 10.6% have achieved college education, followed by 16.9% possess high school education and finally 1.4% respondents were PhD degree holders. Thus the dataset reflects a well-educated group of participants. In relation to the ethnicity of the participants, the majority of the respondents (46%) have classified themselves as White and the same percentage as Asian or British Asian, followed by 1% as Black Caribbean and 3% were from other ethnic backgrounds; while 5% have refused to disclose their ethnicity.

Table 5.3: Educational background

Answer options	Frequency	Percent	
High School	86	16.9%	
College	54	10.6%	
Under Graduate	276	54.3%	
Post Graduate	80	15.7%	
PhD	7	1.4%	
Total	507	99.8%	
		Skipped question	***1***

In terms of marital status, among the respondents 44.5% were single, trailed by 28.5% married, 7.5% separated or divorced followed by 5.1 % widowed and 11.4% have reported living with a partner and finally 3.0% have reported their marital status as civil partnership. The responded have also reported 18.1% as homeowners, followed by 45.3% living in rented accommodation, 6.7% living with parents, 8.9% as council tenant and 20.7% have reported themselves as living in student accommodation.

In relation to the job profiling, 43.5% reported themselves as students, followed by 18.3% in full-time employment, 12.2% as part-time employed, 12.2% positioned themselves as self-employed and 9.6% have reported living on social security benefits, while the same percentage has reported being retired. However, by contrast, only 1.6% indicated themselves as unemployed. Thus, the dataset yields a good diversity of ethnic, educational and employability backgrounds of the respondents.

The survey findings also indicated a well diverse income background. However, due to the fact that students form the biggest percentage of participants who have filled in the surveys, hence 36.2% of respondents have reported their annual income as less than £5K followed by 32.9% fell between £6K to £20K as mid-low income range, and 21.0% percentage fell in the range of £21K- £50K as mid income range; moreover 7.1% were in the high income range of £51K-£75K and only 0.6% have classified their income as the upper income level of more than £75K/year. Additionally, 6.6% of the participants declined to disclose their annual income. In order to quantify the enabling features, customers' main banking provider, and affiliation period, location of their local branch and availability of the self-service facilities in their local branch were incorporated into the survey instrument.

Overall, the majority of the respondents have selected one of the big four as their main banking provider, which is clearly evident; for instance, 24.2% have reported Barclays as their main banking provider, followed by Lloyds TSB as 19.7%; 15% with NatWest; 13.2% with HSBC and 6.1% with Halifax, but surprisingly only 6.9% have reported Santander as their main banking provider.

Table 5.4: Main banking provider

	Frequency	Percent
HSBC	67	13.2%
NatWest	76	15.0%
Barclay	123	24.2%
Halifax	31	6.1%
RBS	30	5.9%
Lloyds TSB	100	19.7%
Yorkshire Bank	14	2.8%
Santander	35	6.9%
Cooperative bank	16	3.1%
Nationwide B S	6	1.2%
Marsden B S	7	1.4%
Other	2	.4%
Total	507	100%

Skipped question 1

However, interestingly in another question when respondents were asked - which is the most trusted bank in the UK?, they showed a penchant towards HSBC as their number one choice, followed by Barclays, whereas NatWest was favoured by 7.9% and 10% voted for Lloyds TSB and Halifax Bank.

Table 5.5: The most trusted mainstream bank in the UK

Options	Frequency	Percent
Lloyds TSB	51	10.0%
Halifax Bank	35	6.9%
NatWest Bank	40	7.9%
RBS	11	2.2%
Santander	20	3.9%
Cooperative Bank	78	15.4%
Nationwide BS	23	4.5%
Barclays	116	22.8%
HSBC	121	23.8%
Other	9	1.8%
		Skipped question ***4***

In terms of type of account held with their main banking provider, the majority of the respondents (87.8%) hold personal accounts/cheque accounts with different UK banks and only 7.9% of the respondents have indicated holding a business account, while 4.3% have reported holding premium/private banking accounts. During the pilot study 58% of respondent have indicated that they bank with more than one bank in the UK, hence the notion of main banking provider was introduced to quantify the trustworthiness of their main banking provider. Amongst these account holders only 28.9% are actually paying for their current account/cheque account, while the majority (71.1%) enjoy free banking facilities with their main banking provider. In order to quantity the situational measure, respondents were encouraged to indicate what type of account they hold with their main banking provider, how they would prefer to carry out their banking, how often they go into their bank and what type of financial products they hold with their banks.

5.2 Distribution channels

In this regard, a few vital observations were made when respondents were encouraged to highlight "how would they prefer their banking services?", or which distribution channel they would prefer for their daily banking. Interestingly, there is a distinct shift from traditional inside the branch banking attitude, as nearly 78% respondents' adore online banking as their main distribution channel, which is undoubtedly due to the huge investment by the UK banks towards e-banking, together with the availability of the faster broadband and 3G & 4G mobile data networks. Furthermore, 27% of the respondents have favoured other automated banking serves such as ATM banking followed by 20% who preferred mobile banking; however, 25% still favoured inside the branch banking and to have a face-to-face interaction with the staff. Furthermore, the results are less significant for the CDM, postal and telephonic banking, whereas, the response for cash deposit machines simply reflects the low overall usage at this stage.

Table 5.6: Preferred way of doing banking

Answer Options	**Response percent**	
	Yes*	***No****
Inside the branch	34.3	65.7
On-line banking	60.0	40.0
ATM (Automatic Teller Machine)	23.4	76.6
CDM (Cash Deposit Machine)	43.5	56.5
Telephonic banking	58.0	42.0
Mobile phone banking	77.6	22.4
Postal mail	16.3	83.7

Multiple responses – respondents have selected more than one choice

The respondents were also allocated into four groups depending on the number of banks they bank with and interestingly 60% of the respondents have reported that they are utilising more than one, two and even three banks for their banking need as a supplementary banking relationship. In this regard, holding multiple accounts with different banks has empowered the respondents to make valuable assessments while assessing their main bank's service quality. Additionally, it was equally important to explore the different types of account being held with their main banking provider. Hence, a complete section was included in the survey instrument to quantify this important information.

Table 5.7: Account/s held

Answer options	**Response percent**	**Response count**
One	54.5%	277
Two	35.0%	178
Three	6.3%	32
More than three	4.1%	21
Total	100%	508
Answered question		***508***
Skipped question		***0***

Furthermore, the results for the location of their main branch showed that 85% of the respondents indicated that their local branch is situated in a town centre/city centre, whereas 7.55% reported an out of town location and only 7% of the survey respondents over SurveyMonkey have mentioned their local branch in a village. On occasion, categories 2 and 3 were collapsed.

5.3 Durability of relationships

In the present study, the length of time a customer has been with their banking provider was also measured. The respondents have been divided into five categories: 24% of the respondent have been with their main bank under a year, 29% fall in the range of 1-5 years, 23% fall in the range of 5-10 years and 19% have indicated in the range of 10-20 years, whereas 7% of the respondents have indicated a long, durable relationship over 20 years with their main banking provider. It is well obvious that a high proportion of the respondents have held their accounts with their bank provider for more than a year. The UK banks can make use of these results to promote services of a longer nature; for instance, fixed-term saving, pension plans and mortgages etc.

Table 5.8: Affiliation period with the main bank

Answer Options	Response Percent	Response Count
Under a year	13.6%	69
1 – 3 years	40.7%	207
3 – 5 years	22.2%	113
5 – 10 years	9.1 %	46
10 – 20 years	11.2%	57
More than 20 years	3.0%	15
skipped question		***1***

An important assertion in the present survey was to quantify the main reasons for the respondents to switch their main banking provider and interestingly 60.5% of the respondents have described that they have never changed their main banking provider. However, in the general perception section, 28% were indecisive regarding whether they would recommend their main bank to their friends and family, whereas 36% would have not recommended their main bank to their friends and family. The main reason behind the lower level of customer migration is due to lengthy account switching services in the UK, which has recently been changed and a seven-day switching service is being introduced by the new regulator. In general, poor customer service was given as a mean reason to switch their accounts followed by high fees & charges (6.3%); whereas low interest rates and poor communication, were considered less worthy options, as was indicated by an equal number of respondent (4.2%).

Furthermore, the level of education played a key role in customer migration towards less interactive and cheaper channels for banking, e.g., online banking, as 76.6% of the educated respondents confirmed that they would actually prefer to conduct their banking online. In contrast, 1.8% of the total respondents who are less educated and are in the low-income band or on social security benefits would still prefer the use of expensive branch touch points.

In this regard, the UK retail banking providers have recently heavily invested in *customer migration* and the *depth of engagement* towards online, cash deposit machines and telephonic banking to cut per head cost; for instance, online banking is now more interactive, customers can order cheque books, make bill payments, order/view bank statements, make emergency cash withdrawals and transfer money between their accounts on different ATM and CDM machines. The daily withdrawal limits have been increased up to £1000 per day for customers to avoid them coming into the physical branches. In addition, the customers can apply for different kinds of current/savings accounts and even apply for mortgage, personal loan and credit cards online with their banks.

However, the use of telephonic or call centre is very limited, as still customers consider them as secondary options to e-banking and may only use them for problem solving, such as reporting a lost debit or credit card etc. Other reasons could be their reluctance to discuss their personal banking with a stranger on the other end of the phone as they would rather walk in to their local branch and have a one-to-one interaction for more complex transactions.

Table 5.9: Branch contact frequency

Answer options	Frequency	Percent
On a daily basis	34	6.7%
Twice a day	6	1.2%
Weekly	91	17.9%
Fortnightly	68	13.4%
Monthly	153	30.1%
Once every three months	70	13.8%
Never, I do everything online	79	15.6%
Never, I do everything via telephone banking	7	1.4%
Total	***508***	***100.0%***

The majority of the younger respondents aged between 18 and 30 indicated that mobile/smart phone banking is one of their preferred ways of banking, as compared to other age groups. The recent development in smartphone adoption and rapid innovations has made it possible for the British banks to make mobile banking apps more interactive, e.g., balance & security text alters, fund transfers and viewing banking statements in real time. In this regard, a research by the Future Foundation (2011), *N=7000*, reported that 85% of those e-banking users stated that they can manage their money more efficiently in this way.

5.4 Assessment of the validity and reliability of the scale

5.4.1 The scale validity

According to Shipman (1988) scale validity is concerned with the meaningfulness of the research components or whether the researcher can be genuinely sure that the instrument measures the fitting concept rather than something else (Flynn *et al.* 1990). In this study, content validity (see Chapter 4, for full details), which is also a prerequisite for construct validity, was achieved as per McDaniel and Gates' guidelines. This took place initially by identifying *the construct of interest* in advance of the data collection stage, which was achieved through systematic literature review in Chapters 2 and 3; thus the researcher clearly identified the research problem and research objectives. In addition, this was achieved by establishing the indicators which were closely linked with the construct, e.g., different antecedents of trust being identified to frame the research hypothesis.

5.5 The factor analysis

The purpose of this scale reduction technique is to minimise a large number of variables to a more manageable size but predominantly to have a better understanding of those variables (Field, 2009). In this regard, Pallant (2010) stated that the process usually starts with large numbers of variables and once they have been paired and reduced to similar factors, they can be used for further statistical analysis such as different regression modelling (see Chapter 4, for full details).

Table 5.10: KMO and Bartlett's Test

KMO and Bartlett's Test

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.800
Bartlett's Test of Sphericity	Approx. Chi-Square	11285.187
	Df	946
	Sig.	.000

Bartlett Test of Sphericity is highly significant as χ^2 (946) = 11285.187, p < 0.001

Following is the detailed results of the factor analysis of the cognitive and affective trust dimension of firm-level trust followed by different antecedents of trust in British retail banking or the independent variables in this study.

5.5.1 Cognitive trust

The first factor in the firm-level trust model has been labelled as cognitive trust and it was initially epitomised by six elements. However during the factor analysis three items had a relatively low correlation as a result they has being removed from the factor. In term of Cronbach's α coefficient reliability these three items have a value of 0.799 (see Section 5.6.2, for full details) which indicate that it is a good scale and can be used to form a *composite variable* for the regression modelling as they are representing the same construct, e.g., cognitive trust . Following is a list of items that loaded onto this factor, together with their individual factor loadings.

Table 5.11: Rotated factor matrix

Items	Factor 1	Factor 2	Factor 3	Factor 4	Factor 5	Factor 6	Factor 7	Cronbach's Alpha
TrCog1	.917							0.799
TrCog2	.903							
TrCog6	.705							
TrAff1		.688						0.717
TrAff2		.844						
TrAff4		.677						
TrAff5		.733						
CustEng1			.819					0.723
CustEng2			.622					
CustEng3			.889					
CustEng4			.779					
StaffResp1				.889				0.909
StaffResp2				.895				
StaffResp3				.900				
StaffResp4				.796				
StaffResp5				.801				
BPresence1					.747			0.726
BPresence2					.798			
BPresence5					.863			
CompHnd3						.595		0.840
CompHnd4						.890		
CompHnd5						.799		
CompHnd6						.963		
CompHnd7						.896		
FinLtr1							.807	0.785
FinLtr2							.786	
FinLtr4							.621	
FinLtr5							.532	

Extraction Method: ***Principal Component Analysis; Rotation Method: Varimax with Kaiser Normalisation A 5-point Likert scale response format was used & only loading higher than 0.3 was added.***

Table 5.12: Factor analysis for cognitive trust

Component extracted	Factor loading
I have found out it has a reputation for being honest	.917
I have found out it has a reputation for being reliable	.903
My banks has always kept my transaction confidential	.705

5.5.2 Affective trust

Initially, affective trust has been epitomised by five elements. However, the fifth item, *Since the banking crisis I have to wait longer in the queue in my local bank branch*, had a relatively low correlation and cross-loading with the other four items and as a result it has being removed from the factor. In term of Cronbach's α coefficient reliability these three items have a value of 0.71 (see Section 5.6.2, for full details). Moreover, in assessing the statistical significance, the acceptable factor loading is 0.30 for a given sample of 350 or over (Hair et al., 1998), whereas for the current factor the sample size is 508 and the factor loading is way over that threshold. Hence, it is a good sign of convergent validity.

Following is a list of items that loaded onto this factor, together with their individual factor loading.

Table 5.13: Affective trust factor analysis

Component extracted	Factor loading
My bank charges me reasonable service fees & account charges	.688
My bank keeps me well informed regarding bank charges & fees	.844
I have found my bank is very active regarding fraud prevention measures	.677
My bank will make a thorough analysis before offering products and services to me	.732

5.5.3 Staff responsiveness

The staff responsiveness dimension was to be represented by five elements and to assess the construct validity of these five items, factor analysis was undertaken by using Varimax rotation where only one factor was extracted. The table below identifies these five factors and their correlated scores. Each of these items acknowledge the staff responsiveness , which has been used in this model as a proxy for staff engagement with the logic that more engaged staff will reflect a high level of positive attitude towards customers' needs. In term of Cronbach's α coefficient reliability these three items have a value of 0.909 (see Section 5.6.2, for full details).

Table 5.14: Factor analysis for staff responsiveness

Component extracted	Factor loading
I have found my bank's staff are always willing to help me.	.889
Have a concerned and caring attitude for me.	.895
My bank's staff maintains a professional appearance.	.900
I have found that staff provide me with different alternatives for my transaction/banking	.796
My bank's staff always provides me with an exceptional service.	.801

5.5.4 Complaint handling

Five items loaded on factor three under the complaint handling dimension. This indicated that "I was always given a clarification of the cause of the problem", "I have found encouraging staff attitude while recording my complaint" and "If the answer was ***No,*** I was always given a satisfactory explanation" had a very high correlation among the group. These results empirically reinforce the importance of complaint handling, which is even more pivotal after the financial crisis as customer trust is at its lowest possible levels. And for the banking executives, this data also suggested that banks need to demonstrate a higher level of concern regarding customer complaints as they are a golden opportunity for them to learn from their mistakes and put things right. In term of Cronbach's α coefficient reliability these three items have a value of 0.840 (see Section 5.6.2, for full details).

Table 5.15: Factor loading for complaint handling

Component extracted	Factor loading
Clear instructions were given to me regarding how to raise a complaint	.595
I have found encouraging staff attitude while recording my complaint	.890
I was being kept informed on the progress of my complaint until a resolution was reached	.799
I was always given clarification of the cause of the problem	.936
If the answer was No I was always given a satisfactory explanation	.896

5.5.5 Branch Presence

Table 5.16: Factor loading for branch Presence

Component extracted	Factor loading
I think the branch network is a sign of a bank's commitment to its customer.	.747
I can get most of my banking done without visiting a retail branch.	.798
I visit my local branch if I have a problem with my bank account.	.863

Three items were loaded on the fourth factor, which was identified in the model as branch presence. However, two items, "With the closure of my local bank branch I am saving less money now" and "I think supermarket is a best substitute for my local bank branch", yielded low correlation among the group and were removed from the construct for further analysis. This factor adds to the ability of the UK banks to comprehend the importance of branch presence and improve their customer migration efforts before closing down a branch in any community, as customers strongly believe that "the branch network is a sign of a bank's commitment to its customer" in a community. These results suggest that further exploration of the importance of the effect of branch closure in building trustworthiness is merited. In term of Cronbach's α coefficient reliability these three items have a value of 0.723 (see Section 5.6.2, for full details).

5.5.6 Customer engagement

The next factor, customer engagement, is identified by clustering five items from the survey; one item, "I have found my bank is well active on the social media conversation with their customers", has a very low value and became a candidate for removal. The table below identifies each item and its correlation for customer engagement. As the UK banks are striving to reduce cost and increase profitability in the post-crisis era, therefore, this empirical finding can now provide a solid foundation for them to engage their un-engaged customers and try to increase their share of the wallet though a mix of different interactive channels. Likewise, items such as "I have found my bank online facility is user friendly and very informative" possess very high correlation among the group, which can play a vital role for the UK banks to reduce the transaction/operation costs and engage more customers with e-banking. In term of

Cronbach's α coefficient reliability these three items have a value of 0.723 (see Section 5.6.2, for full details).

Table 5.17: Factor loading for Customer engagement

Component extracted	Factor loading
I have found my bank's online facility is user friendly and very informative	.819
I have always been offered a personal review every 12 months	.622
I have found my bank holds accurate information about me	.889
It is easy for me to have a 24/7/365 relationship with my bank	.779

5.5.7 Financial Literacy

In this regard, four items have loaded on this factor, which was labelled as financial literacy; whereas the fifth item, "Direct debit mandate & standing order agreement are confusing to me", was removed from the group due to very low correlation. These results empirically reinforce the importance of customer financial literacy, as low level of financial literacy may have a negative impact on a retail banking provider's trustworthiness. In addition, for the banking executives, these findings also suggested that the UK banks must help and improve their customers' financial education to harness trust among their customers' interactions. Similarly, for customers, to avoid any financial distress in the future, they need to understand the ins and outs of different financial products and what they are actually buying from their banking providers. In term of Cronbach's α coefficient reliability these three items have a value of 0.785 (see Section 5.6.2, for full details).

Table 5.18: Factor loading for financial literacy

Component extracted	Factor loading
Bank statements are complicated for me to understand	.807
I do understand the importance of personal financial review	.786
Individual saving account (ISA) is my tax-free saving allowance per year	.621
Financial services are complicated and confusing for me to understand	.532

5.6 Reliability Analysis/internal consistency

5.6.1 Reliability

Shipman (1988) defined reliability as, if the researcher has to replicate the research by using the same methods, would s/he be able to get the same results. Thus, embedded in this quote is the idea of consistency and stability of measurement instrument in research. Likewise, Drost (2001: 106) defined reliability as the extent to which measurements are repeatable – when different persons perform the measurements, on different occasions, under different conditions, with supposedly alternative instruments which measure the same thing. In addition, Schwab (2005) suggested reliability as an essential precondition for validity, but not sufficient. Furthermore, to establish various aspects of reliability, Drost (2011) suggested test-retest reliability test, alternative forms reliability test, split-halves test and internal consistency test etc. Golafshani (2003) explicitly referred to the earlier work by Charles (1995) and stated that test-retest methods can be used to measure instrument stability, for instance, uniformity, with which survey items will respond, can be determined through the test-retest methods at two different times under the same conditions. Or simply, the test-retest reliability is the extent to which respondent scores are steady over time.

However, fallibility of memory, extraneous factors/event and respondent progression over time may make the instrument defective, as the respondent scores may not be uniform. Similarly, in the current research it would be impossible for the researcher to re-test the instrument overtime due to the rapid changes in the UK retail banking market; and also the respondents might not be willing to fill in the questionnaire on two different occasions. However, the alternative form or parallel form of reliability may also be difficult to conduct due to its limitation of creating two surveys instruments which are essentially equivalent in terms of means and variances (Flynn *et al.* 1990).

According to Doris (2011), internal consistency test reflects how well items on the questionnaire relate to other items, and the most popular method of testing for internal consistency in behavioural science is the coefficient alpha or most commonly known as Cronbach's Alpha. In addition, Alpha is the average of the correlation coefficient of each item with each other item (Nunally, 1978). Furthermore, Cronbach's Alpha is a popular statistical technique as it incorporates every possible split of the scale in its calculation, rather than one arbitrary split, such as the split-half measure. Cronbach's Alpha is part of the standard reliability package in SPSS. The minimum generally acceptable Alpha value is .70 for any establish research; however, Nunally (1978) and Sekaran and Bougie (2010) suggested that allowing a somewhat lower threshold such as .60 for exploratory work which involves the use of newly developed scales is acceptable.

5.6.2 Coefficient Alpha

The more frequently used measure of reliability is internal consistency, which applies to the consistency among the variables in a summated scale. In internal consistency, the individual items or indicators of the scale should all be measuring the same construct and thus are highly inter-correlated (Pallant, 2010; Netemeyer *et al.* 2003; Nunnally, 1978). Hence, to determine the reliability of the multi-item scales, Cronbach's α coefficient is used and the reliability rates of all the components are found to be adequate (see Chapter 4 for full details)

Cronbach's α coefficient alpha was undertaken on seven constructs yielding scores between 0.710 and 0.909 (see the table below). As such, the modified model is considered to be valid and reliable in all aspects. In other words, the instrument measures what it claims to measure and therefore the data can be applied for further analysis.

Table 5.19: Cronbach's Alpha reliability

Construct	***Item***	***Measure***	***Cronbach's Alpha***
Cognitive trust	*TrCog1*	I have found out it has a reputation for being honest	
	TrCog2	I have found out it has a reputation for being reliable	
	*TrCog3**	Based upon their track record I have good reason to doubt them*	**0.799**
	*TrCog4**	My bank has always looked after me*	
	*TrCog5**	I have always been provided with error-free banking*	
	TrCog6	My banks has always kept my transaction confidential	
Affective trust	*TrAff1*	My bank charges me reasonable service fees & account charges	
	TrAff2	My bank keeps me well informed regarding bank charges & fees	
	*TrAff3**	Since the banking crisis I have to wait longer in the queue in my local bank branch*	**0.717**
	TrAff4	I have found my bank is very active regarding fraud prevention measures	
	TrAff5	My bank will make a thorough analysis before offering products and services to me	
Customer engagement	*CustEng1*	I have found my bank's online facility is user friendly and very informative	
	CustEng2	I have always been offered a personal review every 12 months	**0.723**
	CustEng3		

	CustEng4	I have found my bank holds accurate information about me	
	*CustEng5**	It is easy for me to have a 24/7/365 relationship with my bank	
		I have found my bank is well active on the social media conversation with their customers*	
Staff Responsiveness	*StaffAtt1*	I have found my bank's staff are always willing to help me.	**0.909**
	StaffAtt2	Have a concerned and caring attitude for me.	
	StaffAtt3	My bank's staffs maintain a professional appearance.	
	StaffAtt4	I have found that staff provide me with different alternatives for my transaction/banking	
	StaffAtt5	My bank's staff always provides me with an exceptional service.	
Branch Presence	*BPresence1*	I think the branch network is a sign of a bank's commitment to its customer.	**0.726**
	BPresence2	I can get most of my banking done without visiting a retail branch.	
	*BPresence3 **	With the closure of my local bank branch I am saving less money now.*	
	*BPresence4 **	I think supermarket is a best substitute for my local bank branch. *	
	BPresence5	I visit my local branch if I have a problem with my bank account.	
Complaint handling	*CompHnd3*	Clear instructions were given to me regarding how to raise a complaint	**0.840**
	CompHnd4	I have found encouraging staff attitude while recording my complaint	
	CompHnd5	I was being kept informed on the progress of my complaint until a resolution was reached	
	CompHnd6	I was always given a clarification of the cause of the problem	
	CompHnd7	If the answer was No I was always given a satisfactory explanation	
Customer financial literacy	*FinLtr1*	Bank statements are complicated for me to understand	**0.785**
	FinLtr2	I do understand the importance of personal financial review	
	*FinLtr3**	Direct debit mandate & standing order agreement are confusing to me.*	
	FinLtr4	Individual saving account (ISA) is my tax-free saving allowance per year	
	FinLtr5	Financial services are complicated and confusing for me to understand	

*** Scale items removed from the original questionnaire to improve Cronbach's Alpha***

5.7 Testing the Assumptions for the Regression Analysis and data preparation

Multiple regression analysis is a statistical method that can be used to investigate the association, if any, amongst the dependent and numerous independent variables, with the ability to provide information about the model as a whole (Pallant, 2010). One of the major benefits of the regression analysis is its ability to document collective effect (Hair *et al*, 1998). Similarly, the core of multiple regression analysis is to examine how two or more predictors act together to affect the dependent variable and it also allows the researcher to accommodate control variables that may account for observed relationship, as well as document cumulative effect (Hair *et al*, 1998).

The current study has utilised a sophisticated model with several predictors that help to explore any causal relationship towards the dependent variable, i.e., the cognitive and affective dimensions of trust of the UK banking providers. The five independent variables or predictors for this study are customer engagement, customer financial education, internal staff engagement, branch presence and complaint handing, which have been regressed upon the dependent variable to predict any interrelationship among the latent variables. Multiple regression has been the main technique employed, as it is more routed in the theory that can be tested and the researchers will be less likely to identify the predictor just by chance (a Type 1 error) because a well-established theory would already have established most of the study predictors (Nolan and Heinzen, 2008)

However, Hair *et al.* (1998) have contended that the researcher must comprehend the basic assumptions for the regression analysis; for instance, to check whether errors of prediction are caused by the data characteristics and are not lodged by the regression model or due to the absence of a true relationship among the variables. In doing so, there are three basic assumptions: suitability of the sample size, multicollinearity, and outliers. However, one might often expect that the data may not perfectly and fully satisfy all these basic assumptions; this is particularly the case with data collected about behavioural constructs like the ones in this study. Nevertheless, Hair *et al.* (1998) assert that multiple regressions can be used as long as the data does not significantly violate these assumptions. The following section explains in detail the three assumptions for the regression analysis;

Firstly, Tabachnick and Fidell (2007) devised a formula to calculate the sample size, as $N > 50 + 8m$, where m is the number of independent variables in the study. The sample size in this research is 508 which is way ahead of the required numbered suggested by Tabachnick and Fidell; hence, this assumption has not been violated. Secondly, in a scale, multicollinearity exists when there is a strong association among the independent variables; hence, they must not be correlating highly to each other as the main disadvantage of multicollinearity its ability to weaken the regression model (Pallant, 2010). To test multicollinearity the tolerance level must be greater than .10 and the VIF must be less than 10. (Pallant, 2010); hence, collinearity diagnostics (Variance Inflation Factors - VIF and tolerance values) were initially performed for the affective trust dimension model to identify any likely influences of multicollinearity. Thus, the VIF values (1.1 to 3.3) and the tolerance values (0.301 to 0.902) suggest that multicollinearity is unlikely (cf. Bryman and Cramer, 2005; Pallant, 2010). Likewise for the cognitive trust dimension model the VIF values (1.0 to 3.1) and the tolerance values (.315 to .910).

Moreover, from the correlation Table 5.26 it seems very clear that none of independent variables are going though that threshold, as Pallant (2010: 158) has stated that the researcher must not include two independent variables with a correlation of 0.7 or more in the same analysis. Hence no multicollinearity problem exists among the predictor variables and all variables have been retained for the regression analysis. Finally, the outliers are the extreme or unfamiliar values among the dataset being observed under the same conditions and common sources are improbable values and data entry problems among others (cf. Hair *et al.*, 1998). However, it might create problems such as decrease normality and falsify the study results, and may moderate the control of the statistical test, which might yield biased consequences; as in the presence of outliers the data may not be fit for purpose/analysis. Multiple regressions are very sensitive to outliers, i.e., very high or very low scores (see Pallant, 2010: 151). Therefore in the current study outliers were detected in the early stages of the data entry for both dependent and independent variables.

5.8 Correlation analysis

The correlation analysis was done to test the strength of the association amid the IV prior to the regression analysis. Ideally, the size of the relationship among the IV should not be higher than 0.90. However, Pallant (2010) argued that there must be some correlation (the correlation coefficient values range from -1 to 1) amid the IV and the DV. The correlation table below shows that the IVs are not highly correlated to each other, but there are some correlations between the DV and IV. In this regard, Burns and Bush (2010) have devised the following criteria for the strength of association between variables.

Table 5.20: Correlation criteria

0.81-1.00	Strong / highly correlated
0.61-0.80	Moderate
0.41-0.60	Weak
0.21-0.40	Very weak
.0-0.20	None

Source: Burns and Bush (2010)

Table 5.21: Correlation matrix

Pearson correlation between alternative dimensions

	Cog. Trust	Aff. Trust	Customer Eng.	Staff Resp.	Branch Presence	Complaint handling	Financial literacy
Cognitive trust	1						
Affective trust	.407**	1					
Customer engagement	.320**	.225**	1				
Staff responsiveness	.601**	.605**	.492**	1			
Branch presence	.492**	.502**	.389**	.491**	1		
Complaint handling	.326**	.565**	-.051	.288**	.310**	1	
Financial literacy	.087	.026	.212**	.122**	-.040	-.188**	1

** *Correlation is significant at the 0.01 level (2-tailed), N=508*

5.9 Detailed analysis of the five-factor model

In this segment, the results are reported by individual component, followed by each component narrative, list items' overall means and standard deviations. In addition, for the descriptive analysis, strongly agree & agree responses were added together and reported as one. Likewise, strongly disagree and disagree responses were merged to get a better picture. Ultimately, these two totals were divided by their respective total responses to create a percent agree and percent disagree figure. Thus, the perceived levels of customer engagement, customer financial literacy, branch presence, staff engagement, complaint handling, cognitive trust and affective trust were measured by calculating the overall mean scores for the responses to the questionnaire, as they are the most commonly reported descriptive statistics (Crowl, 1996). For the purpose of this research a score of below 3 on a 5-point scale ranging from 1=strongly disagree to 5=strongly agree, has been regarded as an indication of low level of perceived customer agreement with regard to the respective dimensions. A score higher than 3 and above on a 5-point scale has been regarded as a higher level of agreement to the respective dimensions. The mean and standard deviations have been profoundly used in different studies to measure perceived orientation of customers towards their service provider (see, for instance, Taap *et al.,* 2011; Siu and Cheung 2001; Lewis and Soureli, 2006; Wong and Sohal, 2003; Opoku and Essien, 2011). In addition *skewness and kurtosis values* has been also added for the following seven tables. In this regards, Pallant (2010: 57) stated that skewness value provide an indicator of the symmetry of the distribution, while kurtosis provided the information regarding the peakedness of the distribution. In the present study none of the skewness and kurtosis conditioned has been violated e.g. skewness value should be between -.08 & +.8, while, for kurtosis an acceptable value should be between +3 & -3.

5.9.1 Cognitive trust dimension of the bank-level trust

Table 5.22: Data analysis cognitive trust

Overall mean rating of the different dimensions of cognitive trust

Scale items	*OM*	*SD*	*SA/A*	*SD/D*	*N*	*Skewness*	*Kurtosis*
1. I have found out it has a reputation for being honest	2.92	1.43	37.5	45.25	17.3	0.136	-1.337
2. *I have found out it has a reputation for being reliable*	2.89	1.39	40.1	44.0	15.8	- 0.044	-1.327
3. My bank has always kept my transaction confidential	3.36	1.35	54.2	33.0	12.6	0.316	-1.214

Overall mean scores are based on a 5-point scale ranging from 1=strongly disagree to 5=strongly agree. SD = standard deviation, SA/A = % of strongly agree & agree, SD/D = % of strongly disagree & disagree, N = neutral responses

In this regard, customer perception towards their main bank's cognitive trust dimension was measured using a 3-item index. The overall Cronbach's Alpha value for this index was 0.79. These results imply that customers in the UK are significantly concerned regarding their main bank's cognitive trust dimension of trust following the recent financial crisis, as comparison of the overall means reflects that the perceived honesty and reliability of their main banking provider appears to be the weakest point for their bank, 2.92 and 2.89 respectively. However, the respondents are quite optimistic regarding their bank's effort to uphold their confidentiality with an overall mean of 3.36. What lies behind these integrity and competence violations has been extensively discussed in Chapter 2. Thus, based upon these results, UK banks' trustworthiness is at the weakest level in the eyes of their customers.

5.9.2 Affective trust dimension of the bank-level trust

Table 5.23: Data analysis affective trust

Mean rating of the different dimensions of affective trust

Scale items	*OM*	*SD*	*SA/A*	*SD/D*	*N*	*Skewness*	*Kurtosis*
1. My bank charges me reasonable service fees & account charges	2.89	1.22	34.0	38.7	27.3	0.005	-.976
2. My bank keeps me well informed regarding bank charges & fees	2.9	1.27	37.2	45.8	17.0	0.160	-1.146
3. I have found my bank is very active regarding fraud preventions measures	3.01	0.84	23.3	22.1	54.6	-0.023	.459
4. My bank will make a thorough analysis before offering products and services to me	2.93	1.08	28.9	36.5	34.5	0.188	-.602

**Overall mean scores are based on a 5-point scale ranging from 1=strongly disagree to 5=strongly agree. SD = standard deviation, SA/A = % of strongly agree & agree, SD/D = % of strongly disagree & disagree, N = neutral responses*

Unfortunately, the affective trust dimension of the service provider is equally disheartening as the respondents are less likely to agree with the statement that their main bank's service fees & account charges are reasonable, and the majority of them are not happy with the expensive account maintenance costs. The survey results have also indicated (2.98) that their main bank has also failed to keep them better informed regarding those charges and account maintenance fees. Similarly, respondents are less certain of the fact that their bank has put their interest first when it comes to offering different financial products and services (2.93). Regrettably, high street banks are still marketing financial products without considering their suitability for their customers. This is quite evident from the recent practices of mis-selling of PPI, package accounts and swap selling to the SMEs. However, banking customers tend to be neutral regarding their main bank's efforts towards fraud prevention, with a mean value of 3.01.

5.9.3 Staff responsiveness

Table 5.24: Data analysis Staff responsiveness

Descriptive statistics and overall mean rating of the different dimensions

Scale items	*OM*	*SD*	*SA/A*	*SD/D*	*N*	*Skewness*	*Kurtosis*
1. I have found my bank's staff are always willing to help me.	2.62	1.29	30.1	54.1	15.8	0.343	-1.083
2. *Have a concerned and caring attitude for me.*	2.56	1.15	23.6	50.8	25.6	0.246	-.898
3. My bank's staff maintains a professional appearance.	3.39	1.30	52.8	32.2	15.0	-0.250	-1.221
4. *I have found that staff provide me with different alternatives for my* transaction/banking	3.25	1.07	40.9	27.9	31.2	-0.098	-0.923
5. My bank's staff always provides me with an exceptional service.	3.17	1.11	39.6	30.7	29.7	-0.034	-.864

**Overall mean scores are based on a 5-point scale ranging from 1=strongly disagree to 5=strongly agree. SD = standard deviation, SA/A = % of strongly agree & agree, SD/D = % of strongly disagree & disagree, N = neutral responses*

The respondents are less certain of the fact that frontline staff are always willing to help them or that they had a concerned and caring attitude when it came to serving customers, with an overall mean of 2.62 and 2.56 respectively, which indicates a frustrated frontline workforce. Similarly, respondents were inclined to be quite neutral (3.17) when asked whether FLE provides them with an exceptional service, which seems to be another weak point for their bank. These results seem to be very evident that the banks and building societies have become very isolated from the customer-centric values. However, respondents tended to agree more with the fact that FLE tended to maintain a professional look and often offered them with alternative ways of banking, with an overall mean of 3.39 and 3.25 respectively. This suggests that bank management is quite keen on customer migration efforts and this message is being well conveyed and implemented.

5.9.4 Complaint handling

Table 5.25: Data analysis complaint handling

Mean rating of the different dimensions of complaint handling

Scale items	*OM*	*SD*	*SA/A*	*SD/D*	*N*	*Skewness*	*Kurtosis*
1. Clear instructions were given to me regarding how to raise a complaint	2.9	1.12	36.7	37.9	25.4	0.075	-.913
2. I have found encouraging staff attitude while recording my complaint	2.87	1.12	32.9	43.1	23.9	0.143	-.906
3. I was being kept informed on the progress of my complaint until a resolution was reached	2.85	1.06	25.3	38.8	35.9	0.255	-.468
4. I was always given a clarification of the cause of the problem	2.74	8.20	29.2	37.9	32.9	0.108	-.667
5. If the answer was No I was always given a satisfactory explanation	2.82	.94	21.6	33.4	45.0	0.223	-.035

**Overall mean scores are based on a 5-point scale ranging from 1=strongly disagree to 5=strongly agree. SD = standard deviation, SA/A = % of strongly agree & agree, SD/D = % of strongly disagree & disagree, N = neutral responses*

In this regard, for customers who had complained in the last five years, complaint handling seemed to be the most fragile point for the UK banks, which is well evidenced from the survey findings, as the respondents are very sceptical regarding their main bank's complaint handing procedure. These findings are consistent with the findings by prior researchers, e.g., Gruber *et al.* (2001:131), as they have stated that "it seems that the issue of effective complaint handling is still not adequately addressed by businesses"; the researchers have further argued that it is even shocking, particularly when the significance of customer discontent in the short and long term is being considered, i.e., customer defection and negative word-of-mouth, among others.

The current survey findings have also revealed that customers seems to be less in agreement with the fact that they were given clear instruction on how to raise a complaint and neither they were happy with the staff attitude while recording their complaint, with an overall mean of 2.90 and 2.87 respectively. The result is similar to as Botschen *et al.* (1999), as they contended that such negative attitude by the frontline employees does not bode well with customer satisfaction efforts. Similarly, the study findings are also consistent with the previous research by Yep *et al.* (2012:162), as they have reported that "banks should not take complaint handling lightly as poorly handled complaints may be views by consumer as banks' incompetence and lack of care towards their customers".

Likewise, failing to give a satisfactory explanation of the cause of the problem seems to be the weakest point of the complaint handling procedure (2.74). Accordingly, respondents were less convinced that they were being kept well informed regarding their complaint progress and neither were they being given a satisfactory reason if the answer to the question was no (2.85 & 2.82). Hence the above results add merit to the idea of transparency and benevolence while dealing with customer complaints.

A more recent survey based on online interviews of 2,029 UK adults by the Guardian (2013) reported the true extent of the British retail banking complaints, and revealed that "around 26% of UK bank customers, equivalent to 12 million people, have had problems with their current account in the last 12 months. Lloyds TSB customers, along with Co-operative Bank and Bank of Scotland customers, had the highest proportion of customers who had experienced problems".

Moreover, "Of those who had experienced problems, two thirds (66%) of customers have made complaints about their current accounts. Of these, three in ten (29%) had to make repeated complaints to resolve the issue". According to Turner (2013), complaints and how they are managed are good barometers of the health of any organisation. However, in the UK, in the first six months of 2012, there was a 67% increase in the number of FSA reported complaints against banks and building societies. That is almost 2.8 million complaints as opposed to just fewer than 2 million financial service complaints reported in the same period the year before.

5.9.5 Branch Presence

Table 5.26: Data analysis branch presence

Mean rating of the different dimensions of branch presence

Scale items	*OM*	*SD.*	*SA/A*	*SD/D*	*N*	*Skewness*	*Kurtosis*
1. I think the branch network is a sign of a bank's commitment to its customer.	3.38	1.35	53.2	32.0	14.8	- 0.306	-1.208
2. I can get most of my banking done without visiting a retail branch.	3.89	1.37	77.3	15.6	7.1	0.039	-1.222
3. I visit my local branch if I have a problem with my bank account.	2.88	1.54	44.6	47.9	7.5	0.061	-1.566

**Overall mean scores are based on a 5-point scale ranging from 1=strongly disagree to 5=strongly agree. SD = standard deviation, SA/A = % of strongly agree & agree, SD/D = % of strongly disagree & disagree, N = neutral responses*

The above table indicates that the respondents are generally satisfied to some extent with the importance of the branch network. However, the majority of them, with an overall mean of 3.89, are well convinced that they can get most of their banking done without visiting a physical retail branch, which is a stronger point for the banks as, by the look of it, their customer migration efforts are paying off. But equally important, as signified by the sample being studied, the respondents are less in agreement with the statement that they only use a retail branch when they have a problem with their account and they still value the branch presence in their respective communities. Retail banks in the UK have recently heavily invested in customer migration and this depth of engagement towards self-service technologies /e-banking is to cut per head cost. For instance, e-banking is now more interactive than ever; customers can use different interactive platforms; and without visiting any retail branch they can order cheque books, pay bills, view statements, withdraw emergency cash and transfer money between their accounts etc.

5.9.6 Customer engagement

Table 5.27: Data analysis customer engagement

Mean rating of the different dimensions of customer engagement

Scale items	*OM*	*SD*	*SA/A*	*SD/D*	*N*	*Skewness*	*Kurtosis*
1. I have found my bank's online facility is user friendly and very informative	3.98	1.24	78.8	15.6	4.8	-0.245	-1.261
2. I have always been offered a personal review every 12 months	2.96	1.23	27.9	35.1	37.1	0.171	-.776
3. I have found my bank holds accurate information about me	3.17	1.21	44.2	33.3	22.5	-0.130	-1.014
4. It is easy for me to have a 24/7/365 relationship with my bank	3.79	1.40	72.8	23.0	2.8	-0.039	-.698

**Overall mean scores are based on a 5-point scale ranging from 1=strongly disagree to 5=strongly agree. SD = standard deviation, SA/A = % of strongly agree & agree, SD/D = % of strongly disagree & disagree, N = neutral responses*

In this regard, four item scales were used to build this construct with a Cronbach's Alpha value for 0.85. Overall, the analysis of customer engagement towards their main banking provider demonstrates that customers do have a moderately high level of customer engagement with their main bank/s. This is seen in the fact that the respondent do have a strong opinion regarding their bank's online banking facility and it is equally easy for them to have a 24/7/365 relationship with their main banking provider, with an overall mean of 3.98 and 3.79 respectively. Interestingly, from the data interpretations, failing to hold accurate information for their customer and not to offer a 12 monthly free personal financial review tend to be weak points of their bank.

These personal reviews could be an important one-to-one opportunity for the banking staff to integrate with their customers and equally important for the bank for cross-selling other products & services. These results suggest that in this dynamic environment customers are demanding better personal relationship with the banks; thus, the retail banking providers must revisit their face-to-face, call centres and web-based interactions to improve customer engagement.

5.9.6 Financial Literacy

Table 5.28: Data analysis financial literacy

Mean rating of the different dimensions of financial literacy

Scale items	*OM*	*SD*	*SA/A*	*SD/D*	*N*	*Skewness*	*Kurtosis*
1. Bank statements are complicated for me to understand	3.75	1.47	60.0	34.2	5.30	-0.335	-1.477
2. I do understand the importance of personal financial review	2.93	1.35	36.0	41.9	22.1	0.170	-1.487
3. Individual saving account (ISA) is my tax-free saving allowance per year	3.29	1.07	33.1	17.8	49.1	-0.173	-1.251
4. Financial services are complicated and confusing for me to understand	3.64	1.43	61.0	33.8	5.40	-0.358	-1.541

**Overall mean scores are based on a 5-point scale ranging from 1=strongly disagree to 5=strongly agree. SD = standard deviation, SA/A = % of strongly agree & agree, SD/D = % of strongly disagree & disagree, N = neutral responses and statement 1 & 4 was reversed.*

In general, respondents are less certain, with an overall mean of 3.64, of their understanding regarding financial services and that naivety might contribute to less sound decisions while buying any financial products, but at the same time they may be more vulnerable to any financial abused/miss-selling by their banks. Likewise, they tend to be more in agreement with the fact that even the basic bank statement seems to be complicated for them to understand. Additionally, they seem to be quite neutral when being asked to describe whether an ISA is their tax-free saving allowance per year, with an overall mean of 3.29. But more worryingly, respondents seem to be less certain that they fully understand the importance of yearly personal, one-to-one, free financial review with their main banking provider (with an overall mean of 2.93). From the above results, a logical conclusion would be that the present FL situation is quite grim from a UK perspective. However, these outcomes are quite in line with Pinto's (2009: 129) findings that "without [financial literacy], many citizens may lack opportunities to learn the basics of banking and the management of personal finances". Similarly, these results are also in line with the common belief that “the financial turmoil was fuelled by a lack of financial literacy”[13]

5.10 Description of the control/dummy variables

One of the greater advantages of multiple regression models is that they allow for the inclusion of control variables. These control variables not only help researchers account for spurious relationship, but they also measure the impact of any given variable above and beyond the effect of other variables. For instance, a researcher can document the effect of drinking on GPAs adjusting for the impact of gender, sports and time spent studying. Likewise, it would be important to differentiate the different types of control variables as the results may be different for the customers who go inside the branch verses those who do not. Moreover, it would also be expected that people who use outside banking channels rather than the physical touch points may also prefer the online and other interactive channels mix. For similar reasons and to strengthen the empirical findings, several control & interaction variables suggested by previous research were included in part one of the questionnaire to validate if these control variables mitigate customer perception towards their main banking service provider’s trustworthiness.

The control variables were divided into individual- and firm-level controls. Individual-level controls were age, gender, annual income (e.g., Dewan, Mahajan, 2014; Chaudhuri *et al.,* 2013), education, ethnicity, affiliation period, online & branch network usage (see Al-Hawari, 2011; Ho and Ko, 2008); whereas firm-level controls were personal/business/private banking customer. Likewise, different dummy variables were created due to the use of different categorical variables in the survey instrument. Hence, for the categorical variables such as annual income, academic qualification, ethnicity, age and gender, dummy variables were created depending upon the distribution or the spread of the sample. In addition, compound variables were created for the regression model for cognitive & affective trust dimensions of trustworthiness, customer financial literacy, staff engagement, branch presence, complaint

[13] Jim Flaherty, *Canadian Federal Minister of Finance*, cited in Arthur, C. (2011), Financial Literacy in Ontario: Neoliberalism, Pierre Bourdieu and the Citizen, *Journal for Critical Education Policy Studies*, 9/1, pp: 189- 122

handling and customer engagement. A list of the controlled variables is given in Table 5.30 on the following page.

5.11 Multiple regression analysis

To test the hypotheses, a number of statistical techniques were performed in the Statistical Package for the Social Sciences (SPSS) V20, including descriptive statistics, correlation analysis and Multiple Regression Analysis, *N= 508*. The correlation analysis revealed several relationships that are consistent with the hypotheses. However, as the proposed hypotheses required the study of diverse relationships as the variables may be directly or indirectly related, thus, the correlation tests fail to demonstrate causality. Therefore, a hypothesis testing using correlation analysis was avoided in this research. Instead, Multiple Regression Analysis (see Chapter 4, for full details) is used to determine the impact of five independent variables on the retail banking providers' cognitive and affective dimensions of trust.

5.12 The dimensions of the firm-level trust

As being discussed earlier, in this study, five latent variables have been conditioned/regressed against the firm-level trust of the retail banking providers (see Chapter 4, for full details), which have been rigorously discussed throughout this study, i.e., staff engagement, customer engagement, branch presence, financial literacy and complaint handling. In addition, the two dimensions of firm-level trust, i.e., cognitive and affective trust, have been utilised as dependent variables. Subsequently, to determine clarity, e.g., the impact of the selected variables on each *trust dimension*, the researcher adopted a *dual regression model*. For instance, in model one, these five independent variables have been regressed against the cognitive dimension of firm-level trust; while in model two they have been regressed against the affective trust dimension. The findings of the regression analysis has been presented while adhering to the Bohrnstedt and Knoke (1994) conceptualisation, i.e., the beta value (β) or *standardised regression coefficients* have symbolised the amount of net change that happened in the dependent variables if an independent variable variation of one standard deviation. To strengthen the empirical findings, several control variables suggested by previous research were included in both model 1 & 2 (hierarchal regression models) to clarify if these control variables mitigate customer perception towards their main banking service provider's cognitive and affective dimension of trust.

Table 5.30: Controls & dummy variables

Variable	*Description*	*Measurement*
Age	Age of the respondents	Dummy variable: age1(18-30 years); age2 (31-50 years); age3 (51- over 60’s)
Gender	Gender of the respondents	Dummy variable: female = 0 & male = 1
Ethnicity	Ethnicity of the respondents	Dummy variables: white, Asian & other ethnic groups
Annual income	Annual income of the respondents	Dummy variables: income 1 = < £5,000 - £10, 000; income 2 = £11,000 - £30,000 & finally income 3 = £31,000 - £ 75,000 and over
Academic qualification	Academic qualification of the survey respondents	Dummy variables: Education_grp1 = high school & college level ; Education_grp2 = under & post graduate level ; Education_grp3 = PhD & other
Affiliation period	Affiliation period of the respondent may mitigate their banking provider trustworthiness	Dummy variable: Affiliation_under a year; Affiliation_upto 10 years & Affiliation_10 years and above
Online banking	Online usage may mitigate customer perception towards their main bank trustworthiness	Dummy variable: yes = 0 and No = 1
Utilisation of the branch network	Physical branch usage may mitigate customer perception towards their main bank trustworthiness	Dummy variable: yes = 0 and No = 1
Firm-level control	Whether the respondent is a personal or a business customer	Dummy variable: business = 0 and personal & premium customer = 1

The control variables were divided into individual- and business-level controls. As prior studies have demonstrated that these demographic variables are related to the trust construct. Therefore, data was controlled for the impact of individual-level controls i.e., age, gender, annual income (e.g., Dewan, Mahajan, 2014; Chaudhuri *et al.*, 2013; Toh and Srinivas, 2011), education, ethnicity, affiliation period, online & branch network usage (see Coleman, 1988; Levin *et al.,* 2004; Lewicki and Bunker 1996; Al-Hawari, 2011; Ho and Ko, 2008 for full details). Similarly, Dirks and Ferrin (2002: 615) also emphasise on the importance of affiliation period in the trust context, "the level of trust may be greater in a partnership of long duration than in a partnership of shorter duration owing to the level of knowledge and familiarity acquired". Whereas, firm-level controls were divided on the basis of personal, business and private banking customer.

Likewise, different dummy variables were created due to the use of different categorical variables in the survey instrument. Hence, for the categorical variables such as annual income, academic qualification, ethnicity, age and gender, dummy variables were created depending upon the distribution or the spread of the sample. Although the basic hypotheses in this thesis are concerned with the influence of the five independent variables over the cognitive and affective trust dimensions of the retail banking providers, the interest is also in exploring the impact of these dimensions as an independent variable over the customers' future intentions.

In order to achieve this objective, these two variables have been further regressed in model three over customer future intentions; for instance, "I would strongly recommend others to deal with my bank" to assess the strength of cognitive and affective dimensions on the customers' future intentions in the retail banking context. Therefore, in the present study, the researcher has also conducted a post hoc analysis to investigate the effect of cognitive and affective dimensions of the firm level trust on the anticipation of *customer's future interaction with the banking providers*. In the present study's regression models, the control variables were first introduced followed by the independent variables. Moreover, the application of regression analysis in the current study has been undertaken with the intent of model confirmation and hypothesis explanation.

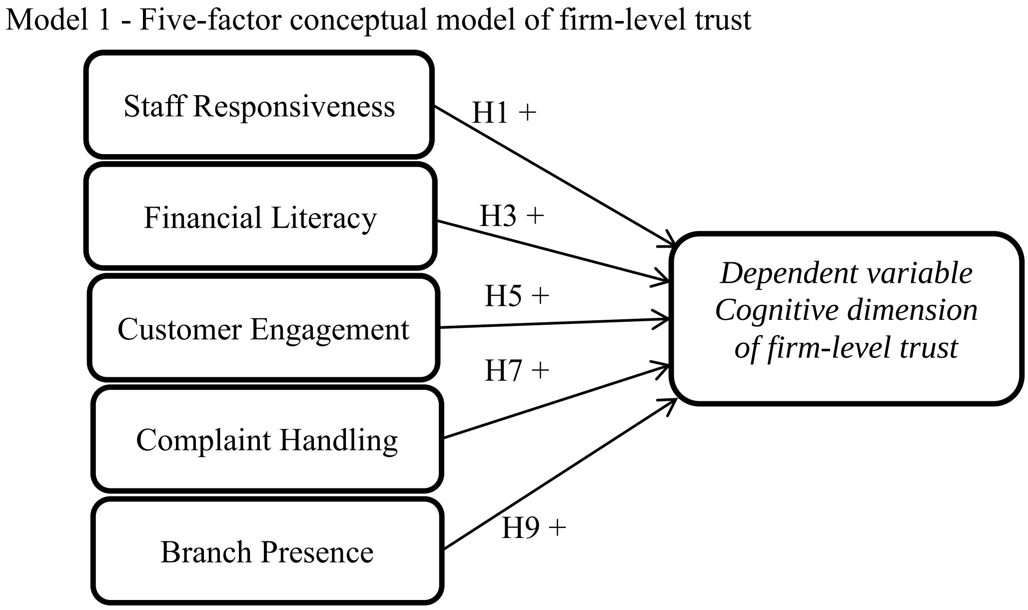
5.12.1 Model One: The significance of the five antecedents on the cognitive trust dimension of the bank-level trust

In the first set of the regression model, Table 5.31, the dependent variable is cognitive trust, which was regressed by five independent composite variables. The model suggests that cognitive trust should be seen as a function of staff engagement, customer engagement, branch presence, financial literacy and complaint handling. All of the aforementioned independent variables were regressed step wise as per their theoretical importance. However, following the procedure suggested by Aiken and West (1991), the control variables were entered first and the results of the multiple regression analyses reveal that all the control variables explained a significant 28.1 per cent of the variance in cognitive dimension of the firm-level trust. The Multicollinearity diagnostic as per Pallant's (2010: 158) guidelines have not been violated; for instance, the cut-off point for determining the presence of multicollinearity is a Tolerance value of less than .10 Variance inflation factor (VIF) value above 10 should be a concern.

Whereas tolerance is an indicator of how much of the variability of the specified independent is not explained by the other dependent variable in the model. If this value is very small or less than .10, it indicates that the multiple correlation with other variables is high, suggesting the possibility of multicollinearity. The other value given is VIF, which is just the inverse of the Tolerance value. A VIF value above 10 would be a concern indicating Multicollinearity (Pallant, 2010). However, the highest tolerance value in model one is .91 for gender; therefore, we have not violated the multicollinearity assumption. Similarly, the highest VIF value in model one is 3.11, which is well below the cut-off point 10. In order to determine the impact of different socio-economic groups such as age, gender, income, ethnicity, educational background, affiliation period and customer's preferred way of banking etc. were regressed into cognitive trust dimension.

However, to accommodate these categorical variables in the regression model, they have been converted into dummy variables according to their respective distribution in the data sample. Moreover, in each model, two successive regressions were established. In the first model, only controls were regressed, which serves as a benchmark against which to test the effect of customer engagement, staff responsiveness, complaint handling, branch presence and customer financial literacy. In the main model, Table 5.31 includes both the control and composite variables to test their statistical significance. The control variables' explanation in model one is very small, i.e. 0.281, and the target variables explain much more than the control variables.

Figure 5.1: Conceptual framework for Model One



The first model has been assessed as follows, using multiple regressions.

Cognitive trust = f (staff responsiveness, financial literacy, customer engagement, complaint handling, branch presence)

An evaluation of model one's results suggests that the five *independent hypothesised variables* have explained 71.2% (R-square value) of the variations in the cognitive trust in conventional retail banking, which is quite a respectable result. The remaining 28.8% may be explained by other factors that are not included in the model. In this regard, Burns and Bush (2010) stated that the higher the R-square, the stronger the relationship amid the dependent and independent variables. Additionally, ANOVA statistics of the current model indicate that R-square is significant at 0.001, and, because the relationship is significant, therefore we can be confident of an actual linear association between our independent and the dependent variable. As illustrated in Table 5.32, it is obvious that the existing levels of staff engagement, complaint handling, customer engagement and branch presence have a significant relationship with cognitive trust; whereas financial literacy has a negative but significant relationship. The size of their beta value advocates that they are all equally important.

Model 1 Cognitive Trust	Controls		Staff Responsiveness		Customer Engagement		Financial Literacy		Complaint Handling		Branch Presence		Final Model		Collinearity Statistics	
Individual level controls	t	β	t	β	t	β	t	β	t	β	t	β	t	β	Tolerance	VIF
Gender	-.451	-.019	.303	.009	-.328	-.010	-.535	-.022	-1.532	-.068	-1.199	-.039	-1.009	-.035	.910	1.099
age2	2.695 ***	.131	3.130 ***	.111	1.452	.052	2.597	.124	2.282	.118	1.617	.062	2.166	.089	.650	1.537
age3	-.564	-.026	-.450	-.015	-.301	-.010	-.467	-.021	.152	.008	-1.887	-.069	-.235	-.009	.695	1.439
Income 2	1.536	.088	3.146 ***	.132	3.185 ***	.135	1.535	.087	2.071	.128	-.578	-.026	2.535	.125	.449	2.226
Income 3	.535	.027	2.981 ***	.111	3.743	.141	1.687	.086	-.561	-.029	.234	.009	1.193	.053	.545	1.837
Ethnicity Asian	.676	.039	-.452	-.019	1.126	.047	.180	.010	.943	.065	.380	.017	.111	.006	.339	2.948
Ethnicity Others	3.196 ***	.163	1.902	.071	4.305 ***	.160	3.840 ***	.194	4.711 ***	.271	-.097	-.004	2.815 ***	.133	.490	2.042
Education grp2	-6.883 ***	-.418	-.413	-.020	-2.982 ***	-.136	-5.135 ***	-.322	-2.168 **	-.143	-3.856 ***	-.192	.943	.051	.375	2.666
Education grp3	-4.568 ***	-.251	-1.176	-.049	-1.088	-.044	-3.144 ***	-.173	-2.747 ***	-.165	-.534	-.024	.442	.021	.464	2.157
Affiliationupto10years	5.412***	.312	3.209 ***	.137	5.464 ***	.225	5.786 ***	.325	5.892 ***	.347	4.078 ***	.188	5.036 ***	.232	.511	1.958
Affiliation10yearsabove	4.418 ***	.266	3.016	.134	2.726 ***	.119	4.535 ***	.267	5.422 ***	.338	3.478 ***	.167	3.771	.190	.426	2.346
Banking inside	-.733	-.035	-3.108 ***	-.108	-4.168 ***	-.146	-1.594	-.076	-2.594 ***	-.129	-1.486	-.055	-2.913 ***	-.117	.670	1.492
Banking online	-3.064 ***	-.137	-.441	-.015	-2.528 ***	-.081	-3.239 ***	-.142	-4.234 ***	-.204	-2.949 ***	-.104	-2.260 **	-.086	.755	1.324
Firm Level Control																
Business or Personal Customer	2.858 ***	.127	3.40 ***	.110	3.352	.108	2.989 ***	.130	3.513 ***	.159	4.144 ***	.145	3.545 ***	.126		
Independent variables																
Staff Responsiveness			19.51 ***	.685									2.807 ***	.165	.858	1.165
Customer Engagement					20.113 ***	.661							6.585 ***	.335	.315	3.177
Financial Literacy							-4.620 ***	-.214					-0.275 ***	-.101	.421	2.778
Complaint Handling									8.033 ***	.387			3.870 ***	.170	.562	1.77
Branch Presence											16.380 ***	.654	3.698 ***	.203	.672	1.489
R^2	**0.281**		**0.619**		**0.637**		**0.316**		**0.487**		**0.557**		**0.712**			
Adjusted R^2 (the goodness of fit measure)	0.258		0.606		0.624		0.292		0.46		0.541		0.696			
F(Sig.)	12.118 ***		46.638 ***		48.912 ***		13.132 ***		18.053 ***		36.062 ***		34.676 ***			
R^2 change (ΔR^2)			**0.338**		**0.356**		**0.035**		**0.206**		**0.276**		**0.431**			

Table 5.31: Model 1, Dependent Variable = Cognitive Trust; * $P < 0.05$ ** $P < 0.01$ *** $P < 0.001$

Moreover, by comparing the consecutive models, *incremental* R^2 values exhibited that in each model the hypothesised independent variables make a significant contribution; for instance, staff responsiveness was 61.9%, customer engagement was 63.7%, financial literacy came in at 31.6%, complaint handling was 48.7% and finally branch presence was 55.7%. In the cognitive trust dimension of the firm-level trust the controls have explained 28% variance in the overall model. While, in relation to the different significant contributions, i.e., in branch presence dimension, it relates that people "who don't use online banking are very much concern regarding the physical presence of the branch". Interestingly, gender is not playing any significant role in the model. Customers aged between 31-50 years seem to be more concerned with the staff engagement. Customer who has affiliated with their main banking provider more than 10 years seems significantly concerned regarding the five factors of the firm-level trust.

The robustness of the proposed model is evident from the positive correlations and the significant *p*-values that support the research hypotheses. Hypothesis H1 predicts that staff responsiveness is positively associated with the cognitive trust dimension of firm-level trust. Hence, the positive and significant coefficient ($\beta = 0.16$, $p<0.001$) in model 1 indicates that the statistical support for the Hypothesis H1 is to be fully supported. Similarly, an early study by Laroche *et al.* (1986, cited in Avkiran, 1997: 228) "found service related factors such as competence and friendliness of bank personnel as the most important determinants of patronage". In a similar vein, Xu *et al.* (2006: 368) emphasised that "in services, the capability of employees plays a significant role in shaping the ultimate levels of quality performance perceived by customers".

As regards to Hypothesis H3, which predicts a significant positive relationship exists between financial literacy and cognitive dimension of firm level trust, it is also accepted given a significant coefficient of ($\beta = -0.10$, $p<0.001$) even with *an inverse relationship* with cognitive trust. Therefore, the inverse nature of the existing level of financial literacy is undeniable and alarming. As a result, this low level of financial literacy (see, Table 5.28) may undermine any sound financial decision by UK customers. This leads to the proposal that banking products should be simplified to a level where they are not confusing and deceiving. Although, due to information asymmetry, banks may always have the upper hand, informational transparency should be introduced in order to restore customer trust. It is evident that the most significant factor which influences cognitive trust is *customer engagement*; hence Hypothesis H5, which predicts that *a significant positive relationship exists between customer engagement and* *cognitive dimension of firm level trust*, is also fully supported due to (β = 0.33, p<0.001), and was the single most influential variable. Hypothesis H7, which predicts that *a significant positive relationship exists between complaint handling effectiveness and cognitive dimension of firm level trust*, is also fully supported due to the positive and significant coefficient of (β = 0.17, p<0.001). It is abundantly clear that the positive relationship between complaint handling and cognitive dimension of trust may bring the issue into awareness as being the fourth-largest contributor with an incremental R^2 of 48.7% into the proposed model.

In relation to Hypothesis H9, which predicts *a significant positive relationship exists between branch presence and cognitive dimension of firm level trust*, it is fully supported due to the (β = 0.20, p<0.001). As a result, it can be inferred that banking customers do value the presence of retail branch network for their daily banking facilities. Although, the original function of a retail branch i.e., cash deposit & withdrawal has disappearing; therefore, banking providers has to redefine the retail branch concept e.g., as an extension of *e*-banking. In addition, customer migration efforts have to be utilised tactfully and gradually if banking providers planned to adopt self-service facilities (i.e., to reduce cost by shrinking the counter service or reducing the opening hours). In addition, R^2 values ranging from 0.31 to 0.63 which suggest that the modelled variables can explain 31 to 63 percent of the variance of the respective dependent variable.

5.12.2 Model Two: The significance of the five antecedents on the affective trust dimension

In line with Pallant's (2010: 158) assertion that the VIF values of 10.0 and above will suggest a high level of multicollinearity and a value of 0.10 as a cut-off threshold for tolerance level, therefore, if tolerance levels are below 0.1, multicollinearity may represent a problem. However, Table 6.33 shows that no such multicollinearity problem exists. Generally, the model shows a significant and positive relationship between the affective trust dimension of firm-level trust and customer engagement, staff engagement, complaint handing, customer financial education and branch presence (p<0.001). The hypothesised antecedents explained 71.1% of the variation in affective trust. Moreover, the high adjusted R^2 value of 71.1% variance also advocates that these five independent variables are very strong predictors of affective trust.

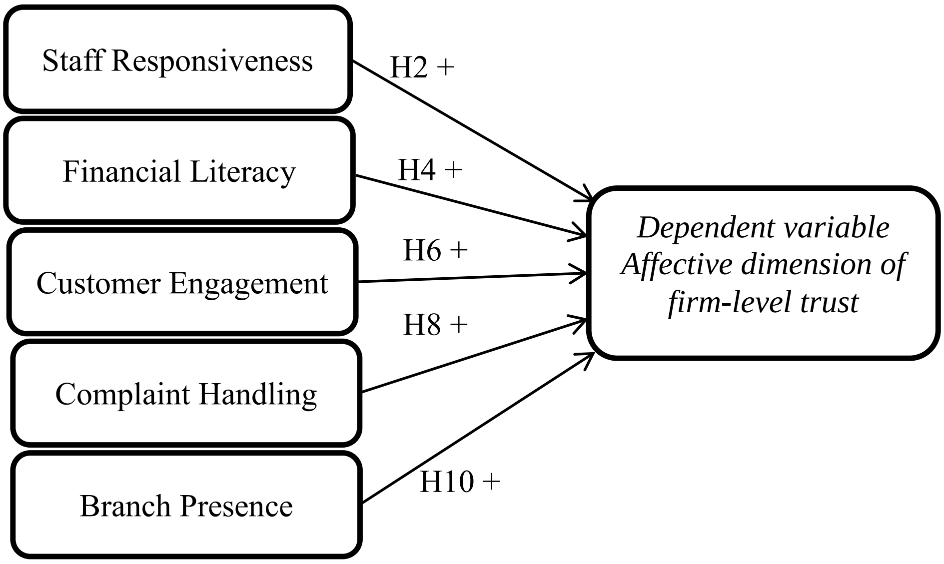
Model 2 Affective trust	**Controls**		**Staff Responsiveness**		**Customer Engagement**		**Financial Literacy**		**Complaint Handling**		**Branch Presence**		**Final Model**		**Collinearity Statistics**	
Individual level controls	*t*	*β*	*t*	*β*	*t*	*β*	*t*	*β*	*t*	*β*	*t*	*β*	*t*	*β*	Tolerance	VIF
Gender	-.220	-.009	.229	.008	-.221	-.008	-.271	-.011	-.081	-.003	-.720	-.028	.688	.024	.902	1.109
age2	1.621	.081	1.585	.068	.499	.021	1.445	.070	.031	.002	.733	.033	-.781	-.033	.640	1.563
age3	.614	.029	.941	.038	1.141	.045	.753	.035	.824	.039	.085	.004	1.059	.043	.685	1.460
Income 2	-1.425	-.083	-1.139	-.057	-1.200	-.059	-1.665	-.095	2.080	.123	-3.199 ***	-.171	1.328	.067	.448	2.231
Income 3	.763	.039	2.668 ***	.118	3.351 ***	.146	2.184 **	.112	-.320	-.016	.704	.032	3.322 ***	.152	.542	1.846
Ethnicity Asian	-.048	-.003	-.842	-.042	.405	.020	-.838	-.048	.746	.049	-.302	-.016	.226	.013	.336	2.978
Ethnicity Others	1.853	.096	.484	.022	2.161	.094	2.564	.131	4.476 ***	.247	-.468	-.023	3.037 ***	.147	.481	2.080
Education grp2	-8.041 ***	-.493	-3.081 ***	-.178	-4.796 ***	-.254	-6.008 ***	-.378	-1.400	-.088	-5.778 ***	-.331	1.365	.075	.378	2.647
Education grp3	-5.025 ***	-.277	-2.532 **	-.123	-2.058	-.096	-3.627 ***	-.198	-3.318 ***	-.187	-2.236	-.115	-.402	-.020	.470	2.127
Affiliationupto10years	2.661 ***	.156	.462	.024	1.647	.079	3.009 ***	.171	2.887	.163	1.260	.067	1.244	.059	.506	1.975
Affiliation10yearsabove	1.109	.068	-.515	-.027	-.632	-.032	1.026	.061	1.868	.111	-.040	-.002	-.015	-.001	.423	2.364
Banking inside	-.994	-.048	-2.791	-.115	-3.830 ***	-.155	-2.260	-.108	-2.752 ***	-.129	-1.591	-.069	-4.694 ***	-.193	.669	1.496
Banking online	-3.945 ***	-.178	-2.275	-.089	-3.472 ***	-.128	-4.076 ***	-.179	-2.239	-.101	-3.852 ***	-.156	-.569	-.022	.774	1.292
Firm level controls																
Business or Personal Customer	-1.744	-.079	-2.301	-.089	-2.436	-.092	-1.661	-.073	.219	.009	-1.585	-.064	.306	.011	.857	1.167
Independent Variables																
Staff Responsiveness			12.58 ***	.531									1.934 ***	.105	.384	2.604
Customer Engagement					14.503 ***	.557							4.214 ***	.258	.301	3.319
Financial Literacy							5.581 ***	.262					3.843 ***	.160	.655	1.528
Complaint Handling									13.305 ***	.614			8.286 ***	.384	.524	1.909
Branch Presence											10.118 ***	.471	3.254 ***	.183	.356	2.808
R^2	**0.272**		**0.470**		**0.515**		**0.319**		**0.549**		**0.414**		**0.711**			
Adjusted R^2	0.248		0.451		0.498		0.295		0.525		0.393		0.69			
F(Sig.)	11.322 ***		24.900 ***		29.191 ***		13.046 ***		22.493 ***		19.849 ***		33.217 ***			
R^2 change (ΔR^2)			**0.198**		**0.243**		**0.047**		**0.277**		**0.142**		**0.439**			

Table 5.32: Model 2, Dependent Variable = Affective trust; * $P < 0.05$ ** $P < 0.01$ *** $P < 0.001$

A comparison of the consecutive models *incremental* R^2 values showed that in each model the hypothesised independent variables make a significant contribution; for instance, staff responsiveness is 47.1%, customer engagement 51.5%, financial literacy 31.9%, complaint handling 54.9% and finally branch presence is 41.4%. In relation to the hypothesis testing, Hypothesis H2 predicts that *a significant positive relationship exists between staff responsiveness and affective dimension of firm level trust*. The positive and significant coefficient (β = 0.10, p<0.001) in Model 2 indicates the statistical support for hypothesis H2 and it can be fully sustained.

Figure 5.2: Conceptual framework for model two

Model 2 - Five-factor conceptual model of firm-level trust



Model two has been assessed as follows,

Affective trust = f (staff responsiveness, financial literacy, customer engagement, complaint handling, branch presence)

Hypothesis H4, which predicts a significant positive relationship exists between financial literacy and affective dimension of firm level trust, is fully supported, with a positive and a significant coefficient of (β = 0.16, p<0.001). Therefore, the positive association of the existing level of financial literacy is not surprising as financial literacy has a minimal effect on the amount of care being reflected by the UK banks towards their customers; whereas Hypothesis H6, which predicts *a significant positive relationship exists between customer engagement and* *affective dimension of firm level trust*, is also fully supported due to (β = 0.25, p<0.001). Hypothesis H8, which predicts a significant positive relationship exists between complaint handling effectiveness and affective dimension of firm level trust, is fully supported due to the positive and significant coefficient of (β = 0.38, p<0.001). This finding is not surprising as the core of affective trust is the amount of care/attention the banks shows towards its customers; therefore, better complaint handling may have a higher affective trust. Finally, Hypothesis H10, that *a significant positive relationship exists between branch presence and affective dimension of firm level trust*, is fully supported due to the (β = 0.18, p<0.001). Therefore, the UK banking providers has to bring a cultural change to the retail banking experience through convenient opening hours and extended service facilities / features. Nevertheless, the empirical evidence supported the study hypotheses that five antecedent constructs are imperative in the management of bank-level trust, namely customer engagement, staff engagement, complaint handling, financial literacy and branch presence. **5.12.3 Model 3: Anticipation of the future interaction- a post hoc analysis**

Table 5.33: Model 3 - Anticipation of the future interaction - a post hoc analysis

Independent variables	**T**	**Beta**	**Sig.**	**Tolerance**	**VIF**
Cognitive trust	7.61***	.33	.000	.661	1.513
Affective Trust	5.06***	.25	.000	.661	1.513

Dependent Variable: "I would strongly recommend others to deal with my bank", N=508
**p < 0.05 **P < 0.01 ***P < 0.001*

Although, the main hypotheses in this research were concerned with the effect of the five independent variables over the cognitive and affective trust dimensions of the UK retail banks; however, it is also of great interest to explore the impact of cognitive and affective trust dimensions as an independent variable over the customers' future intentions. Therefore, these two variables have been further regressed in model 3 (a post hoc analysis) over customer future intentions, e.g., "I would strongly recommend others to deal with my bank". This is because the researcher is of the view that if the existing customers are satisfied with their service providers, they will recommend others to deal with their bank as well.

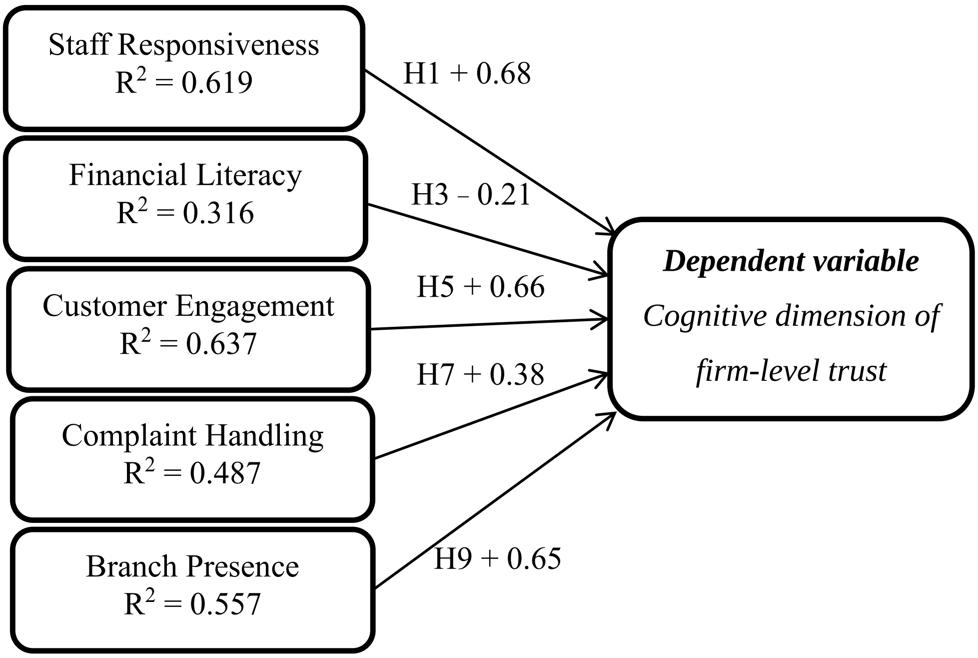
Johnson and Grayson (2005: 505) provided further support through their empirical research which proved that the expectancy of future contact can be driven more by the cognitive thoughts which can be measured through the integrity and ability of the service provider. Similarly, in relation to consequences of cognitive and affective trust on future interaction, the results of Model 3 - *a pot hoc analysis* in this study have shown that cognitive and affective trust both inspire customers' future expectation to interact with their bank. It is interesting to note that the effect of cognitive trust is greater than that of affective trust. These results are consistent with the previous findings of Johnson and Grayson. The two independent variables in the model explain 28% of the variance.

The correlation between the two independent variables is .58, which is less than .7, as Pallant (2010: 158) stated that, if the researcher finds her/himself in such a situation, it is recommended to omit one variable or form a composite variable; however, in the study model it is well below that threshold. In this regard, Johnson and Grayson (2005) reported that, although the cognitive and affective dimensions are correlated, they are empirically distinguishable. In relation to the collinearity diagnostic, the guidelines provided by Pallant (2010: 158) have not been transgressed, as the cut-off point for determining the presence of multicollinearity is a tolerance value of less than .10, a VIF value above 10. However, the tolerance value in this model is .661; therefore, we have not transgressed the multicollinearity assumption. Likewise, the VIF value of 1.513 is also >10, which is well below the qualifying threshold.

Thus, the results have pointed out that in Model 3 R-square is significant at 0.001; due to this, it can be confidently argued that there is an actual linear association between the study's independent and dependent variables. Similarly, by comparing the contribution of each independent variable: cognitive trust (β = 0.35, p<0.000) whereas effective trust exerts (β = 0.23, p<0.000). Therefore, the largest β contribution is of the cognitive trust positive 0.35; clearly, the largest positive relationship between cognitive trust and customer future interaction reflects its unique correlation in explaining the dependent variable. The β value of affective trust is slightly lower but still positive at .23, indicating that it made a reduced unique contribution. Moreover, the Sig. value for both independent variables is >.05, which implies that both independent variables are exerting a significant unique contribution. The final structural model results are presented as following combined with their path coefficients in Figure 5.3, and all 10 hypotheses were fully supported.

Figure 5.3: Final conceptual models

Model 1 - Five-factor conceptual model of firm-level trust



Model 2 - Five-factor conceptual model of firm-level trust

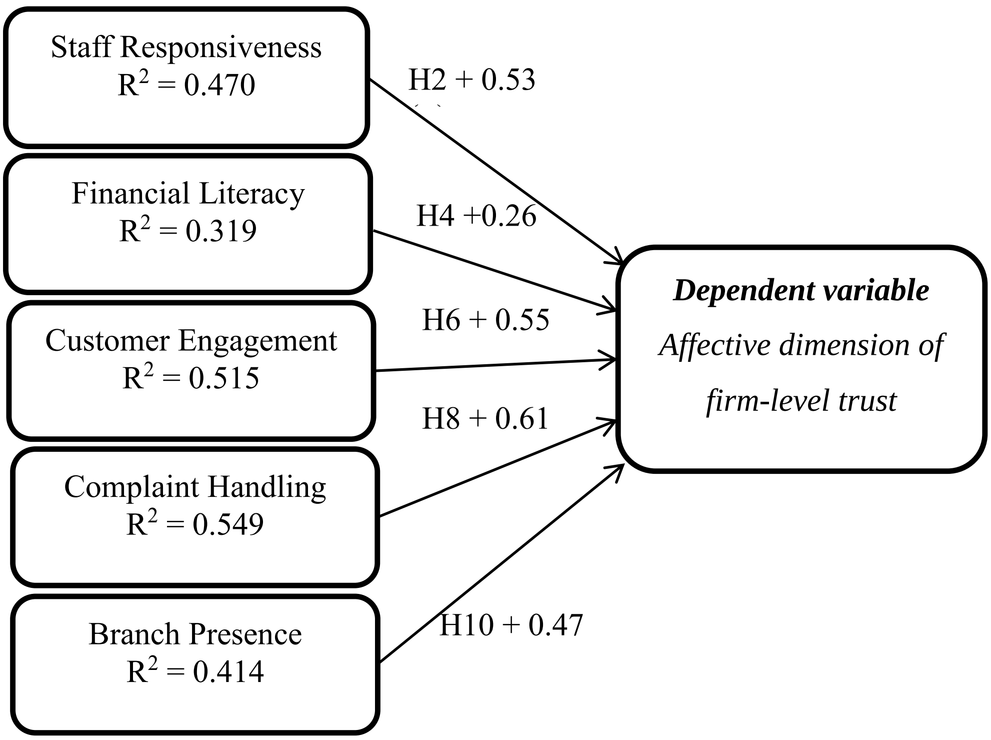


Table 5.34: Hypothesised Relationship

	HYPOTHESISED RELATIONSHIP	RESULTS
	Staff responsiveness	
H1.	A significant positive relationship exists between staff responsiveness and cognitive dimension of firm level trust	Supported
H2.	A significant positive relationship exists between staff responsiveness and affective dimension of firm level trust	Supported
	Financial literacy	
H3.	A significant positive relationship exists between financial literacy and cognitive dimension of firm level trust	Supported
H4.	A significant positive relationship exists between financial literacy and affective dimension of firm level trust	Supported
	Customer engagement	
H5.	A significant positive relationship exists between customer engagement and cognitive dimension of firm level trust	Supported
H6.	A significant positive relationship exists between customer engagement and affective dimension of firm level trust	Supported
	Complaint handling	
H7.	A significant positive relationship exists between complaint handling effectiveness and cognitive dimension of firm level trust	Supported
H8.	A significant positive relationship exists between complaint handling effectiveness and affective dimension of firm level trust	Supported
	Branch presence	
H9.	A significant positive relationship exists between branch presence and cognitive dimension of firm level trust	Supported
H10.	A significant positive relationship exists between branch presence and affective dimension of firm level trust	Supported

5.13 Summary

To summarise, this chapter has presented the descriptive statistics and model formation, together with the validity and reliability analysis of the survey instrument. It has elaborated the quantitative data analysis by utilising the overall mean and standard deviation of the dataset *(N=508)* in relation to the selected latent variable. In a nutshell, based upon the adjusted R^2, R, F and *p* values, this study has provided strong support for all ten hypotheses. Thus, it has pointed out that, in Model 1, cognitive trust is a function of staff responsiveness, customer engagement, branch presence, financial literacy and complaint handling. Similarly, in Model 2, affective trust can also be written as a function of the same latent variable in a retail banking setting.

Whereas, in Model 3, by comparing the contribution of each independent variable, it may be confidently argued that cognitive trust is exerting a larger positive contribution on the customers' future interaction with their banking provider. Furthermore, as discussed earlier in Chapter 2, cognitive trust is a combination of the banking provider's integrity and competence dimensions; therefore, banking provider's reputation appears to be a key factor in achieving a high level of customer satisfaction, which may positively influence customers' future interaction with the banking providers. The following chapter highlights the *qualitative phase* of the study and presents the detailed thematic analysis of the qualitative dataset. The data analysis shows how the mixed methods approach has brought unique insights to the banking providers' perceptions on how to restore their customers' trust following the recent financial crisis.

Chapter 6

Thematic Analysis

The previous chapters have illustrated the quantitative phase of the study, which includes the hypothesis formation, quantitative data collection and different model constructs, followed by presenting the empirical results of the regression analysis. The regression analysis has revealed satisfactory adjusted R^2 values and the proposed five-factor model yielded promising results, as 71% of the variance has been explained by the selected variables in the trust construct. This Chapter discusses the qualitative data analysis through integrating the thematic analysis and focus group findings, as two focus groups were conducted for the sole purpose of checking the appropriateness of the selected variables in this study. Further, during the qualitative phase, 20 semi-structured interviews were conducted to comprehend the UK banking providers' views, e.g., what progressive efforts they have made so far to restore their customers' trust following the recent financial crisis.

In general, this chapter highlights the emergence of different macro and micro themes during the TA process (see Chapter 4, for full details). Finally, the rest of the Chapter explains in great detail each macro and micro theme to highlight the retail banking providers' existing efforts on how they intend to reinstate their customers' trust following the recent financial crisis. Thus, in the preceding section a detailed account of the qualitative data analysis has been presented. The interviews of a semi-structured nature were conducted with 20 UK high street banking officials including regional managers, branch managers, business managers, customer advisors and cashiers. As shown in the table below, the interviews were initiated with different banking officials with the hope that all the participants would have some kind of customer-contact responsibilities/knowledge at the policy and branch level. The rationale behind interviewing different banking officials was to get as accurate a picture as possible (triangulation) regarding their endogenous/micro-level efforts towards restoring customer trust following the recent financial crisis (see Table 6.1).

In this regard, Denzin (1989) identified four different forms of triangulation, namely, data source triangulation, researcher triangulation, theoretical triangulation and methodological triangulation. The present study is already enriched with these four types of triangulation, i.e. methodological triangulation has been achieved through mixed methods research, theoretical triangulation has been accomplished by employing different theoretical perspectives of trust, its dimensions and most importantly, how to restore trust once it has been eroded. The researcher triangulation was attained by utilising different researchers in the code generation process in the qualitative phase. Finally, data source triangulation has been achieved by interviewing different banking officials posted in various positions, in order to comprehend their views on how to restore CTRB. A top-down approach has been used to conduct the semi-structured interviews, starting at the very top with the likes of regional managers followed by branch managers/business managers and, lastly, customer advisors and cashiers (FLE). The central tenets of the TA analysis was its ability to provide a deeper understanding towards the perception of trust and its antecedents, how they are perceived by the UK banking providers, and how they envisage the erosion of trust in their dyadic relationship with their clients. The following two tables highlights the profile of the interview participants with their respective age, gender, work status, work experience, responsibilities, work area e.g., city or rural, and experience etc.

Table 6.1: Interview participant's profile

	Age	*Gender*	*Work Status*	*Location*	*Experience*
1	45-50	Female	Area Manager	City	18 years
2	50-55	Female	Branch Manager	City	20 years
3	40-45	Male	Branch Manager	City	10 years
4	50- 55	Female	Branch Manager	City	21 years
5	30-35	Male	Customer Advisor	City	9 years
6	30-35	Male	Customer Advisor	City	8 years
7	45-50	Male	Business Manager	City/rural	16 years
8	50-55	Female	Cashier	City	8 years
9	25-30	Female	Cashier	City/rural	6 years
10	30-35	Female	Customer Advisor	City/rural	9 years
11	50-55	Male	Post office owner	City/rural	23 years
12	25-30	Male	Cashier	City	4 years
13	45-50	Female	Business Manager	City	9 years
14	25-30	Female	Cashier	City	2 years
15	40-45	Female	Branch Manager	City/rural	7 years
16	50-55	Female	Cashier	City	26 years
17	30-35	Female	Customer Advisor	City	5 years
18	25-30	Female	Cashier	City/rural	3 years
19	55-60	Female	Cashier	City	24 years
20	30-35	Female	Teller / Customer Advisor	City	6 years

Table 6.2: Participant's responsibilities

Participants	*Attributes*
▪ *Area Manager*	Mainly responsible for a particular zone in the UK
▪ *Branch Manager*	*Performing customer contact duties along with administrative responsibilities for the retail branch.*
▪ *Business Manager*	Mainly responsible for the business accounts/customers via online, face-to-face, postal and telephonic means
▪ *Customers Advisor*	*Mainly responsible for selling banking products & services directly to the customers and conducting personal financial review.*
▪ *Tellers/cashier*	Frontline employee and always in front of house performing customer service responsibilities on a one-to-one basis.

An interview schedule was devised which ought to focus on the main issue of interest, i.e. *reinstating customer trust*. In this regard, 20 semi-structured interviews were conducted on a face-to-face basis, involving bank and building society officials during 01 February 2014 and 31 March 2014 (see Chapter 4 for full details). Moreover, all interviews were conducted with an open-ended questioning ethos. The main method employed in order to select participants for the qualitative phase of the study was *purposive sampling or judgemental sampling* (Bryman, 2008) in order to get the information from the most concerned individuals in the UK retail banking industry. Furthermore, adhering to Bryman's findings, to improve the qualitative findings, i.e., generalisability, multiple high street banking providers were approached. Similarly, to limit the impact of *single-source-bias,* different key personnel were interviewed. The interviews were conducted with the intention of reaching *the saturation point*. Therefore, no efforts were made to set a particular number for those interviews. Alternatively, every effort was made to interview officials from all the leading high street banks in the UK. Preceding these personal interviews, official letters, on the University of Liverpool letterhead paper, were sent out to different UK banking providers requesting their participation in the ongoing study *(see Appendix B for full detail).*

During these in-depth interviews, managers in leading UK banks discussed their perceptions of customer trust and they also outlined the attempts by which they intend to internally restore their customer trust. Survey interviews were recorded following prior permission from the participants and later transcribed. All potentially personal identifiable information, for instance, bank name, participant name and designation, were altered or removed and replaced with pseudonyms to guarantee secrecy. In addition, based upon the notion of Thomas and Magilvy (2011: 153), "to strengthen the credibility of a study", direct quotation or "actual words" or "individual reflective statements" of the participants were also used which were rooted in the actual transcripts. During the course of these 20 interviews, participants described their views regarding the recent erosion in customer trust; their perception regarding the integrity of their bank, ability and benevolence followed by the downturn in the UK banking industry; the material losses their bank faces due to the recent banking crisis; and their bank's existing efforts to regain their customer trust. The participants have discussed the *psychological challenges* involved in dealing with their customers, especially after the recent *mis-selling* of the PPI scandal, LIBOR rigging and enormous public bailout of the failing banks. They shared their views on how they are perceived by the general public since the crisis and how UK banks are coping with the new regulatory regime since April 2013.

While some banking officials acknowledge an improvement in their banking operations, others, such as those rescued through the taxpayers' money, have not yet established a concrete path for the future ahead. However, in general, the overall opinion of the participants was *optimism for the UK banking industry*. A total of *three primary themes* were identified from *"the piles of coded segment"* (Miles and Huberman, 1994: 131) and each segment involved several explicit *sub-themes* being categorised as per their appearance and inferences drawn directly from the dataset. The following table (see Table 6.2) relates to the emergence of the primary and sub-themes coupled with their respective percentages, as they provide a unique vantage point for their perceptions. Similarly, banking officials have professed their views on how to reinstate customer trust endogenously. Moreover, any unique direct quotations from the banking officials are represented in italics in the detailed TA discussion.

Table 6.3: Macro and Micro themes with their valid percentage

Macro themes	***Pattern of different Micro themes***	***Valid Percentage*****
1. Transparency	1. Information asymmetry 2. Conflict of interest 3. Accountability 4. Compliance with FCA 5. Cross-channel engagement	**26 %**

	6. Claw back pay & bounces of the failing CEOs	
2. Relationship Approach	1. Concern for employees a. Changing the target culture b. Staff training & motivation c. Whistleblowing d. Protecting business/staff	**16 %**
	2. Concern for customers a. Service score b. Customer satisfaction survey c. Rewarding loyalty d. Complaint handling e. Customer education f. Engaging customers g. Bank and its social obligation h. Free personal financial reviews i. Flagship branches	**21%**
	3. Support for the business community a. Funding for lending scheme b. Compliance with the OFT regulation c. 2 years' free banking facility	**23 %**
3. Strengthening IT infrastructure	1. Customer migration efforts 2. Fraud prevention 3. Increase spending on analytical tools 4. Service automation	**14**
	Total	***100%***

Primary themes percentage is out of all responses

It is evident that the respondents have acknowledged the fact that the banks and building societies are well aware of the daunting situation regarding the negative publicity surrounding the banks and their business conduct. Since the emergence of the banking crisis, concentrating on the governance reforms has been top of the agenda and as a result numerous failing chief executives have been replaced, whilst others have suffered major changes to their pay packages, the high levels of which definitely contributed to their risk-taking behaviour beyond optimal levels in the pre-crisis era. Therefore, banking providers have recently taken countless actions to improve their integrity, ability and benevolence perspectives in order to improve their trustworthiness, as far too often, they have ignored the long-term interests of their customers in favour of short-term gains. The participants have acknowledged the fact that the retail banking providers have incorporated a new culture of transparency together with the systems that underpin these new changes, such as: compliance monitoring, coaching, whistleblowing procedures and remuneration policies. Apart from the integrity-enhancing measures, the banking providers have also addressed the deeper issues, such as improving their customer services/customer satisfaction with a holistic approach with the aim of reducing customer defection and elevating customer loyalty as part of a sustainable business operation. This a view echoed by all prominent banking providers, as the model of choice, in order to increase the trust and confidence of their stakeholders.

Figure 6.2: The emerged macro themes

1. Transparency
2. Relationship approach, i.e., concern for customers, concern for employees and support for the business community
3. Strengthening the IT infrastructure

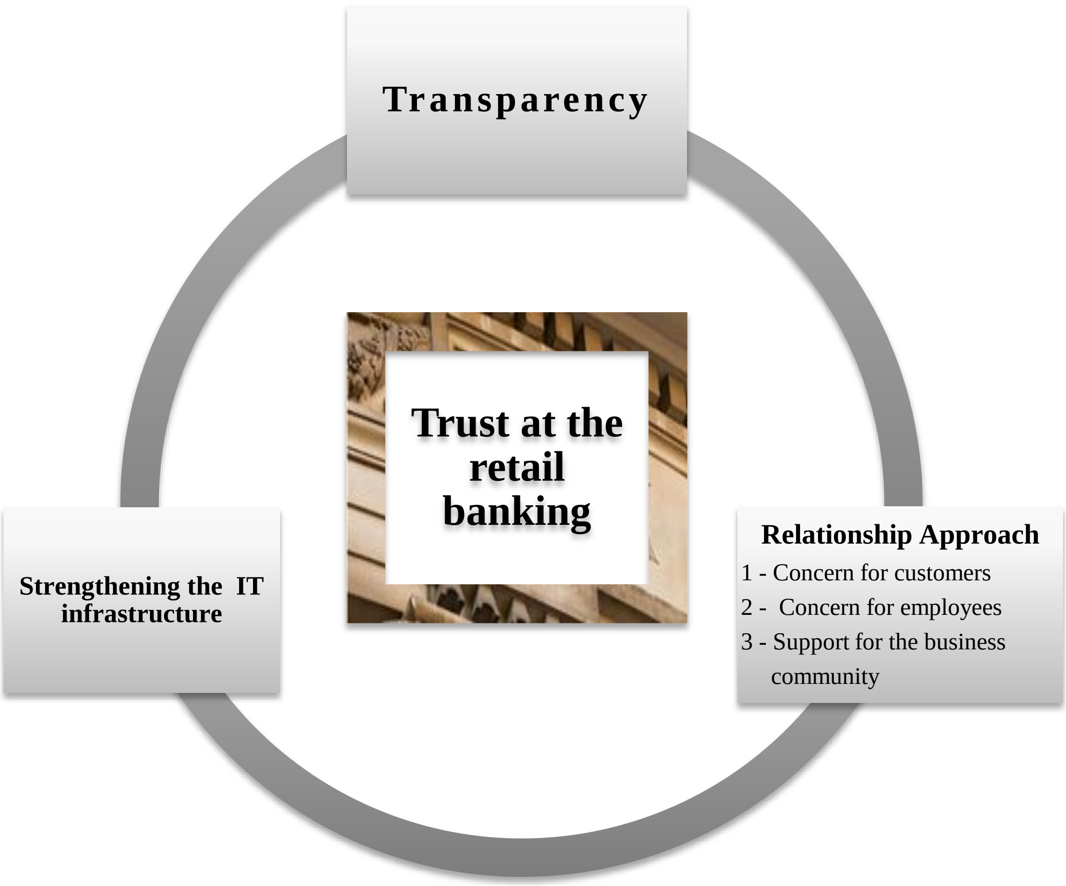
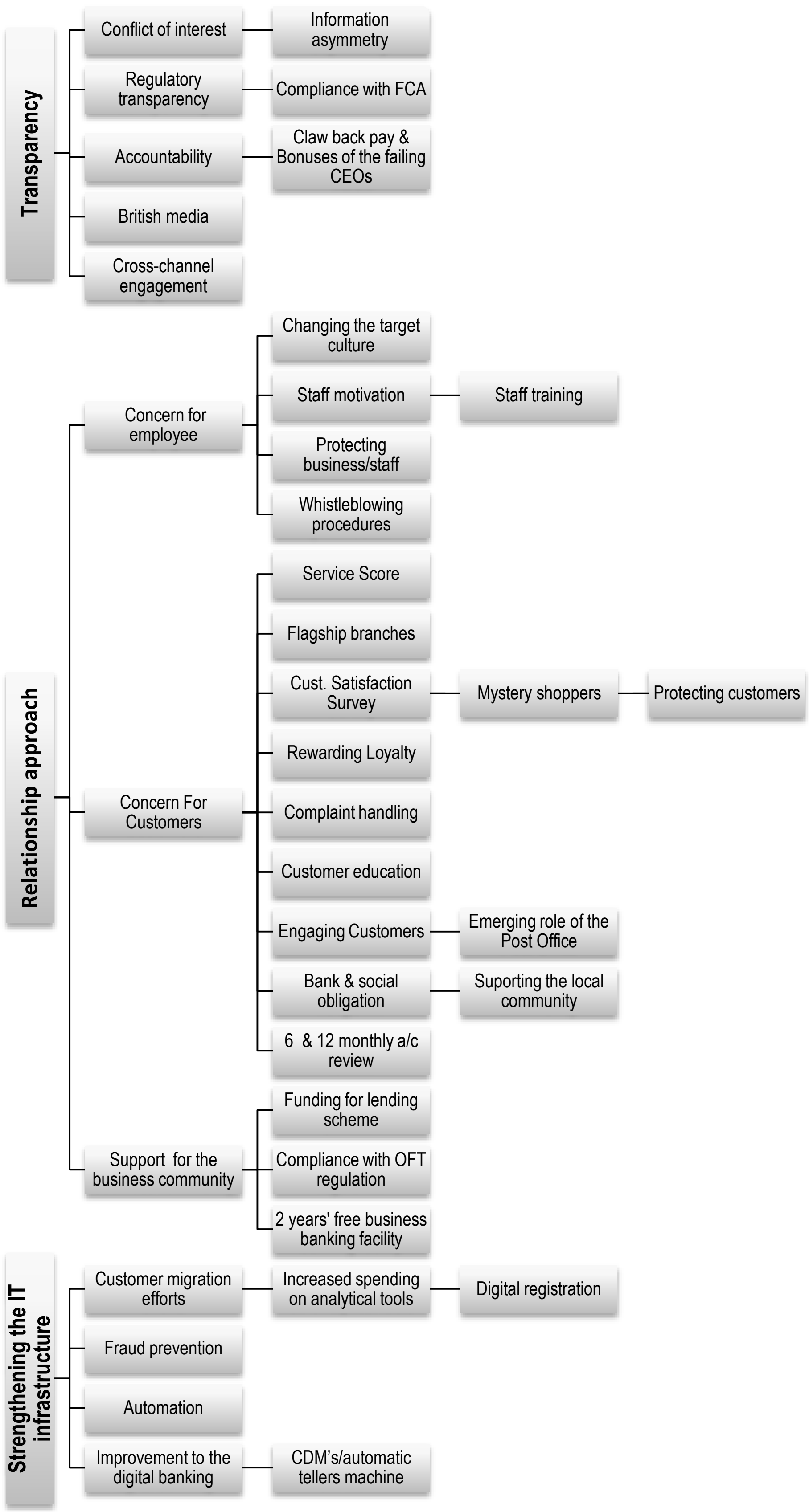


Table 6.4: Detailed analysis of the Macro/Micro themes



The following section explains the emergence of different macro and micro themes through personal interviews in relation to the banking providers' perception on how to reinforce customer trust in the retail banking sector. In general, the participants have bitterly criticised the UK government for the banking crisis, as the politicians have used the banks in the pre-crisis era to stimulate the economy. In this regard, there was a huge degree of resentment expressed towards the politicians and the respondents have argued that a large slice of the blame must go to the politicians, as they have successfully deflected attention from their own actions and have shifted the entire blame onto the banks.

> *"Of course, numerous banks have played their part in the crisis, but the main obligation lies with the politicians, as they wanted us to increase homeownership at any price in order to stimulate the economy; but when debts exceed what borrowers can pay with their income, bubbles are created". (Respondent No. 14 for retail bank F.)*

The majority of the banking officials have given the example of the more recent government affordable housing philosophy of the *help to buy mortgage scheme*[14] as another hasty act by politicians to stimulate the economy/housing market to achieve their political means. As the banks are lending money to people who barely have a 5% deposit and, in most cases, even that deposit is borrowed from friends and family, should they lose their job or even suffer a reduction in their income, there is no easy way to keep up with mortgage repayments, as quoted by mainstream banking officials. Similarly, the politicians do not have the technical knowledge regarding these complicated financial products either. Another participant felt that,

> *"The politicians were too slow to introduce the deposit insurance guarantee; otherwise it could have averted the debacle of Northern Rock as the ordinary depositors would have not reacted the way they freaked out". (Respondent No. 16 for B/S G.)*

[14] "Help-to-Buy" scheme was created in 2013 to support hard-working taxpayers who could pay a mortgage, but could not afford the high deposits demanded by lenders in the wake of the financial crisis. Source: *https://www.gov.uk/government/news/help-to-buy-helping-88000-buy-a-new-home*; Accessed on 10 February 2014.

6.1 Transparency

In this regard, a well-evidenced macro theme has been "the reinforcing of customer trust through transparency". It was described by the respondents as the discloser of relevant information to the general public and regulators which, in the past, has been kept aside with the reasoning that it might jeopardise the banking operation and may induce a run on the banks. Interestingly, the paradox of transparency prevailed due to the explosive growth in financially engineered products such as mortgage-backed securities, credit default swaps and shadow banking, together with the prevention of regulators from performing their duties due to the hidden risk associated with these products. In addition, lack of transparency is also recognised as a serious risk factor which may hurt revenue but it is also branded as a serious contender for reputational damage.

After the recent near collapse of the banking system, which was rescued by billions of pounds of taxpayers' money, banking officials applied drastic changes to their chief executives' payment and bonuses. Several banking officials mentioned the possibility of the *claw back pay scheme*, where the failing chief executives and other managers may be asked to pay back for their actions which have triggered the large-scale mis-selling of PPI and credit default swaps etc. A leading banking official mentioned that their bank, which was recently bailed out, had slashed £2 million from bonuses paid to their 13 executives. However, all participants were in full agreement with the fact that the failing CEOs should be held accountable for their actions and their boards must endeavour to limit the integrity and competence violations in future. At closer inspection, banking officials have also acknowledged transparency as an emerging paradigm in their banking operation after the recent mis-selling and wider integrity defilements as, following the recent financial crisis, retail banking providers are trying to mitigate the impact of these financial scandals and are addressing issues with great tact.

> *One leading bank official has proudly mentioned the appointment of Sir Anthony Salz by their bank to carry out an independent review towards their involvement in the LIBOR-rigging scandal, which is by far the best example of transparency as we are trying to curb internal actor's involvement in the wrongdoing. At the same time, we will be able to assure our stakeholders that any future transgression can be reliably clogged. (Respondent No. 7 for retail bank C.)*

Information asymmetry has stood out to be a key micro theme under transparency, while selling numerous financial products and services by the banks, particularly in situations where the financial product has been recommended by the bank's own advisor, as it creates the likelihood of a *conflict of interest*. Likewise, information asymmetry emerged as a serious threat to trust bank management. Therefore, participants have acknowledged the re-adaptation of the higher ethical and moral values that were expected of the banks.

> *"We are no different to doctors and lawyers, so we must hold our code of ethics to be superior to all other interests; the banking industry as a whole needs to demonstrate honesty to regain their lost pride and once again being viewed as predictable by the ordinary depositors". (Commented by one leading B/S official, Respondent No. 17 for B/S G.)*

Banking officials have admitted that they have been widely criticised for not disclosing their low interest rates and banking charges to customers well in advance. In response, they have recently provided all such information online and inside the branches on easy-to-read brochures. Many mainstream banking officials have mentioned that "our customers are now receiving regular updates on interest rates or any changes to our fee structure well in advance through emails, text alerts and by post". Similarly, they have also acknowledged that the lack of transparency can impede institutional trust and invoke suspicion amongst the general public towards the entire banking industry and its operations.

> *"For being bailed out by the taxpayers' money, psychological pressure and anxiety is well evident among the colleagues, especially in frontline employees due to the mounting reflection of distrust from the general public and being viewed as dishonest and commission agents! Doesn't help at all." (Reported by participant No. 1 for retail bank A.)*

Banking officials have firmly recognised the need for a reliable and honest financial reporting framework, as a customer's confidence can never be restored if a bank's financial reports and key performance indicators in the wider economy are polls apart. There is a wider stakeholder interest in the banking operation, including the investors and ordinary depositors upon whom banks rely for both equity and capital financing. The financial crisis presented a clear prospect for augmenting accounting transparency, a point well highlighted during the interviewing process.

The lack of regulatory transparency and the resulting failures were also identified as a micro theme, as the regulatory failures constituted a large part of the anxiety and the loss of confidence experienced by the participants, specifically the FSA's estimation of the rescue package for the banking industry running up to the crisis.

> *"FSA was convinced in October 2008 of the rescue package that the UK banks would only need £20bn against the Bank of England estimation of £75-£100bn and this rift has also disclosed the tension and lack of consultation between these two institutions." (Reported by a business manager, respondent No 4 for retail bank A.)*

There was a common consensus amongst the majority of the interviewees that the FSA's stance is said to have severely undermined the bank's confidence, as what hope of recovery can we have if the lender of last resort and the regulator cannot agree on the recovery figures?

> *One participant further added, "FSA has failed to understand the Northern Rock reliance on short-term finance in running up to the crisis else it could have prevented the situation." (Respondent No. 5 for retail bank B.)*

While some participants criticised the handling of Northern Rock by the FSA, others cited the lax regulatory supervision by the regulator and stated that the political pressure was to be blamed for the FSA's lax regulatory regime, as well as the lack of actual capability to understand those complicated financial products running up to the crisis. In addition, the role of *the credit rating agencies* has also been highly criticised because of their confined pellucidity in the banking system, arising from their conflict of interest, as they were busy designing and assigning *AAA rating* to derivatives of their choice and endorsing banks to pass on these products to the naive investors for a hefty commission. International banking operations are outside the parameters of this study; however, the interviewees have revealed fault lines within the regulatory framework when it comes to numerous tax havens and non-disclosure of the depository information by copious international banks. This doctrine of inequality yields wider resentment towards the whole of the banking industry and participants have highlighted the need for tougher regulations and automatic exchange of depository information to instil institutional trust. The British media has also emerged as a micro theme in the transparency quadrant or, more precisely, as a paradox of transparency, as there was common accord among the participants that the news media was a constant source of misery for the banking industry during the pre/post crisis era 2007/08. Mainstream respondents have blamed BBC reporter Robert Peston reporting of the run on Northern Rock, which actually aggravated the problem, and the situation deteriorated further when, on October 8th 2008, he reported the private meeting between the Chancellor and the bank bosses.

> *"Share prices in RBS, HBOS and Lloyds TSB fell dramatically due to his yellow journalism – ordinary people were in tears dreading that their modest savings have gone". (Quoted by respondent No. 4 for retail bank A.)*

It is without doubt that listening to the national media where the UK banks were being labelled as failed banking models or deeply flawed was extremely distressing. There was a common feeling among the participants that the media could not decide which side to take, "as on September 17, 2007 when the Bank of England announced the full deposit protection scheme alongside the 3 month loan to the Northern Rock, it actually got even more criticism in the leading newspapers, particularly by the financial times leading article [September 18, 2007]". Moreover, a number of participants felt that the alacrity with which the events were reported speeded up the downturn.

Whereas, during the focus groups (see Chapter 4, for full details) the participants have displayed great concern towards the impartiality of any product advice they might get from their banking staff, as most customers solely rely on/trust their expertise/advice almost to the point that they would trust their personal doctor. This is obviously not surprising as it has already been proven by a study by Sunikka *et al., (*2010), that in behavioural economics most customers almost devotedly rely on the expertise of their acquainted financial advisors and banking staff when it comes to purchasing certain financial products.

> *Nevertheless, "the ground reality is rather poles apart"* commented by one of the participants*, "as due to the conflict of interest customers may never get honest advice. Most banking advisors will recommend those products for which*

they might get bulky bonuses and may not even be suitable for their customers" (participant, male, 46).

6.2 The relationship approach

The relationship approach has emerged as the second macro theme through the TA, which, to the banking providers, is the way forward to reinstate customer trust by investing in banking/BS relationships with their internal and external customers. Under this macro theme, the concern for customers (*including personal & business customers*) followed by concern for their employees have emerged as distinct micro themes.

6.2.1 Concern for customers

Concern for customers has emerged as the main micro theme during the TA process under the dynamic of the relationship approach. The participants have acknowledged customer criticism over the recent integrity and competence violations coupled with the customer neglect cases, when they have approached their respective banks to raise a concern. Following is a detailed analysis of the micro themes developed under customer concerns. In a service context, lack of proper complaint handling has emerged as a significant micro theme and participants have recognised that the most common factor which generates maximum customer complaints is their banking charges and fee structures, such as overdraft fees, unpaid direct debit & standing order charges, and service charges for sending money abroad and between UK-based accounts, amongst others. In response, numerous banking officials have highlighted the availability of their most recent and up-to-date fee/charges structures online together with *easy to understand service charges leaflets* in their branches.

The introduction of the faster payment system which means that customers can now transfer up to £10,000.00 per day, free of charge between any UK accounts, has been highlighted by the mainstream banking providers. This has been followed by their commitment to simplify/reduce their overdraft charges and the introduction of an advanced warning system via a text alert service, e.g., when customers dip into the red zone or go overdrawn in their current account they will receive a text alert from their banking provider, prompting them to deposit the necessary funds, thereby avoiding any charges. The high street banking officials also mentioned the installation of hassle-free, coin deposit machines into their branches since

2007/08, as these machines can count and credit loose change in real time into customers' accounts.

All participants have stressed that they are trying their utmost to solve customer complaints (any element of dissatisfaction) within the branch on the same day, but if not, then it has to be handed over to their dedicated complaint handling department, while keeping their customer fully updated with regard to the progress of their complaint. Once logged, banks and building societies have eight weeks to resolve any complaint for active or closed accounts (within the last six years) and have to keep their customers informed every step of the way. If, after eight weeks, the customer is not happy with the bank's final response or if the bank/BS has failed to satisfactorily sort out the complaint, banks must inform the customers regarding their *right to appeal* to the Financial Ombudsman Service (FOS). The FCA have made numerous changes to their regulatory framework, which has resulted in all major UK banks now being targeted by their head offices to solve 70% of the complaints within the branch on the same day, with appropriate redress to be paid if applicable.

All banking officials have also reported the establishment of a designated department in their respective banks to deal with customers who are experiencing financial difficulties and require confidential and/or impartial advice. The common consensus amongst the banking officials is that banks have reported a paradigm shift within their banking operation by encouraging their FLE to take the role of educators while interacting with their customers on a one-to-one basis. If a customer feels they need to make a complaint, they must in the first instance speak with their banking provider, taking all relevant documentary evidence with them. In situations where the customer needs to make a complaint in writing, they must write COMPLAINT in capital letters on their correspondence so it can be delivered to the correct department without incurring any delay. Customers must also provide an up-to-date contact number in the event that the bank requires further information related to the complaint. If the customer is so aggrieved that they want to escalate their complaint to the FOS, their own bank will provide them with the necessary leaflets on the set procedure; however customers must wait for eight weeks before approaching the FOS as they must give the bank the opportunity to investigate and rectify their error, and only approach the FOS if they are dissatisfied with the outcome of their complaint.

"we try our best to convert all the negatives into positives, for instance, when a customer complains about charges – we try to solve his complaint there and then but make them understand why he/she ended up in that unpleasant situation and how it can be averted in the future, this is our way to improve customer's behavioural dynamics." (Quoted by respondent No. 17 retail bank H.)

A leading banking official has reported that *"we have made it mandatory on a daily basis for our FLE's to educate at least three to five customer on different aspects of their daily banking to promote a helpful banking attitude and to demonstrate the integrity customers expect from us." (Quoted by respondent No. 17 retail bank H.)*

Banks have empowered their branch managers and as far as their customers are concerned, *a retail branch is the bank for them.* Banks were delighted to say that their staff can now resolve 70% of the complaints within the branch on the same day. This has been echoed by a number of respondents.

"A major UK ethical banking provider has reported the adaptation of the five C's model whilst complaint handling; for instance, be sorry, sympathise, solve, satisfy and surprise the customer with a brilliant outcome." (Quoted by respondent No. 17 retail bank H.)

However, regarding these improvements the ground realities are pole apart, as during the focus groups (see Chapter 4, for full details) the majority of the participants believe that the recent insecurity in the banking industry has discouraged customers from switching banking providers, coupled with the inconvenience associated with changing banks, and is likely to overshadow the benefits they may attain from switching banks. This is highlighted in an interesting comment by one participant:

"They charge us high banking fees and hefty overdraft charges because they know that we don't have any other option" [referring to the stringent switching service of the service providers when it comes to the UK banking industry] *"an easy account switcher service and mobile banking account could be an excellent idea to tackle these greedy banks" (participant, male, 32)*

"I don't believe that one can get impartial advice from their bank's advisor as they are serving two masters, me and the bank; and I can definitely see these advisors being more banks oriented. God knows what kind of commission packages they were on as they trying to sell me PPI even though I was unemployed in the first place (participant, male, 52). This is clearly a benevolence violation from their banking provider.

6.2.1.1 Service score

Based on the response counts, service has emerged as another significant micro dimension under the concern for customer theme and a crucial factor that most concerns the bankers in their efforts to reinstate confidence/trust. In an industry where competitors are offering similar products and it is extremely tough to compete on price, only an exceptional customer service experience can create true brand ambassadors for each bank. More recently, banks which were championed for ethical banking are no longer viewed in the same light in the eyes of their respective customers since the 2007/08 crisis. As a result, the UK banks have shied away from the *sales culture* to a more *service-oriented approach*, which was alluded to by the banking/BS representatives.

The common view held by mainstream banking providers is that retail branches are no longer targeted on the amount of products they sell on a daily/quarterly basis but predominantly for their *customer service score*. This is due to a root cause analysis of the banking operation in the post-crisis era to re-instate customer trust. As much as 60% of the branch performance is now linked with the *service score*, or whether the branches have treated their customers fairly or not; for instance, queuing time, being provided with alternative ways of banking, registering customers for loyalty schemes, complaint handing, informing their customers regarding any promotional offers, digital registration and ultimately, making their branch experience exceptional etc.

"Our customers get regular customer satisfaction surveys through the telephone/email and the results are transmitted back to us in real-time; if we provide them with exceptional service we get a green alert, but unfortunately if we get a hot alert we have to chase it up and try to find out why? As it affects

our service score", echoed by a leading building society branch manager. (Respondent No. 16 retail bank G.)

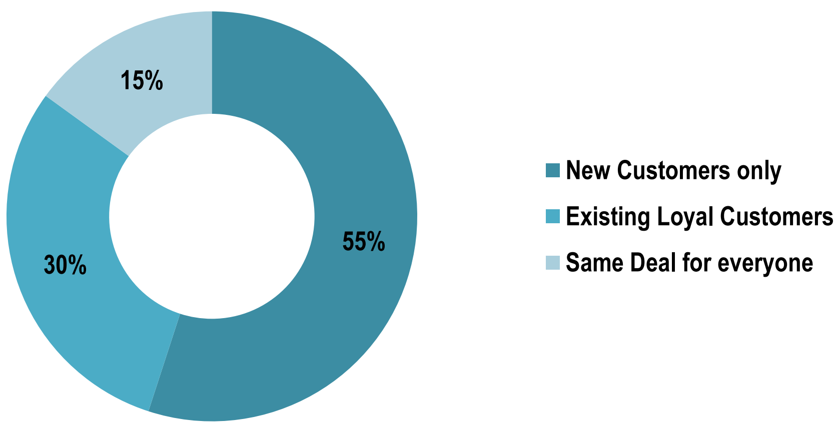
In a relative vein, all the leading banking officials were of the opinion that, nowadays, mystery-shoppers/service score are the barometers for measuring branch performance and they are their real targets, which are difficult to achieve as respondents observed that they are unable to please everybody at the same time. The banking officials have acknowledged three key demands by their respective customers; these are: best customer service, low fees & charges and, finally, they must be rewarded for loyalty. Therefore, banks have reduced fees & charges, made lots of improvements towards their customer service operations on all platforms and, finally, started rewarding their customers for loyalty. However, the majority of the respondents have acknowledged that customer acquisition is still top of the agenda for many but there is a steady swing from acquisition to retention, which is the reason why every bank has produced its own form of loyalty scheme.

The banks have also created a multichannel experience for their customers and transition amid different platforms is seamless and hassle-free, which was alluded to by many high street banking officials. Accordingly, customer experience has also improved in that banking customers are not held channel hostage anymore as they can discover, explore and start purchasing products online, on any mobile device, but at the same time, if they want to, they can finalise their deal directly by walking into any retail branch. The evident success of these platforms has meant that the majority of the banking officials reported a boost to their branchless experience for their customers, with examples such as customers having the ability to check the progress of their applications, mortgages online, and the banks will now send regular updates to customers' mobile devices, keeping them informed on the progress of their application at every step of the way.

It has also been reported that they have reacted well to customer-driven any-place, any-device, and any-time banking services as they are now moving towards a mobile wallet. Accordingly, banks have developed a more holistic payment strategy for customers as a trusted alternative. For instance, paying their contacts over mobile devices is now commonplace. In addition, customers can now benefit from the faster payment system in a branch or on their mobile device for free money transfers between different banks or various utility providers, which is a less expensive solution to the transfer of funds. As little as two years ago, banks were charging £23 for each of these transactions. The service now is such that, in today's environment, customers can even transfer money between EU countries through online banking.

One leading bank official proudly mentioned their *emergency cashback* facility. This facility has been designed for a situation where a customer has misplaced their debit card. They can now get a six-digit code through their mobile phone app, which they can feed in to an ATM and withdraw up to £300 free of charge. More recently, numerous banks have also created a *tailor-made interest rate system* for their customers, in order to reward those with a better credit history. Other banking providers have mentioned their flagship branches, which provide their customers with an outreach service where they can experience an exceptional banking facility, e.g., their bank can print their debit card at the branch and personalise their chequebooks within minutes while they can wait in the luxury lounge. Respondents did note, however, that these features and benefits still seem to have been introduced with customer acquisition still at the top of the agenda.

Figure 6.3: Who gets the best banking deal?



Source: Own research, based upon semi-structured interviews with the UK retail bank/BS officials, *N=20*

Similarly, during the focus group interactions the participants were also very cynical regarding "the lack of rewarding loyalty" by their banking providers, e.g., attractive rates on current accounts, credit cards and mortgages are for new customers only, as banks are trying to attract new customers and they are less concerned regarding their existing loyal customers. As one participant stated:

> *"Banks are trying to charm new customers with attractive rates and they don't value my loyalty – there seems to be no incentive for me for being 30 years with my incompetent bank" (participant, male, 62).*

In accordance with recent Financial Conduct Authority (FCA) policies, banks have simplified their banking operations for their customers so they can understand them *without any technical jargon* and have simplified all their product literature. Their websites now hold up-to-date price information on tariff lists; customers now know better than ever what they are paying for their current account, their overdraft charges and, most importantly, what they are receiving in interest – a common finding amongst all banking officials.

> *"But more importantly we will give our customers the transparency they deserve. We have simplified our products range and explained our personal and business banking charges on a single sheet of paper, and our customers can easily understand them." (Hinted by a leading UK banking provider, respondent No. 12 retail bank E.)*

6.2.1.2 Customer education

The lack of financial literacy emerged as the third micro theme under concern for customers. There was widespread sympathy for UK customers among the participants for their low level of financial literacy and their excessive debt-taking habits driven by attaining a lifestyle to satisfy their utilitarian desires. People of all ages, especially the younger generation, do not get any formal financial literacy course from their school/college (as banking is not about adding numbers) and even those customers who have some form of financial literacy are unable to understand the importance of a personal financial review, tax-free saving, bank statements and other useful financial products and services offered by their bank. This lack of financial literacy (see, Table 5.28) and awareness is contributing to over-indebtedness, damage to their credit files and their inability to make sound financial decisions in their daily life. What they follow is a crude rule of thumb, a view held by the majority of the banking officials. These findings are quite persistent with the previous research by Hilgert *et al.* (2003), who reported a strong relationship in daily financial management and financial literacy. Likewise, more recently

Gerardi *et al* (2010), in a study in the USA, reported statistically significant negative correlation between numerical ability and various measures of delinquency and default. In line with the same argument, Stango and Zinman (2009) linked customer inability to calculate interest rates with excessive borrowing. Other participants felt that another more recent example of customer naivety is the PPI product claims:

> *"PPI wasn't sold to the majority of the UK customers with bad intentions by their respective banks and now these claim companies are forcing genuine customers to cancel their PPI in order to make a claim – so God forbid if the customer loses their job, they have no way to pay back that money as there is no such product available in the market now which will cover them if they were made redundant." (Quoted by respondent No. 12 retail bank E.)*

All banking officials have strongly emphasised their FLE's improved role as an *educator*, which is now an integral part of their daily objectives. Common consensus among the participants was that they do not wish to charge their customers for missing a direct debit/standing order payment or if they go over their agreed overdraft limit. However, they have emphasised the need to educate customers when they hit such circumstances. As a remedy, the majority of the respondents have confirmed the simplification and greater transparency in their daily banking operations and most banks have introduced a *text alert service* which informs customers regarding certain changes to their account/s and personal information. One of the more contentious issues that emerged through the TA process was the banking providers' concern for *higher loan default ratios* due to the low level of financial literacy and the cost of living crisis in the country.

In an effort to address this, service providers are educating customers regarding the implication of debt and the benefits of savings and protection products to safeguard their business and to protect their valued customers. All banks have reported that they are offering easy-to-understand literature to customers to assist those suffering from defaults or facing financial difficulties; for instance, free help & advice from their own banking provider, "as we can freeze any future charges, interest and set a payment plan with our customers depending upon their circumstances. Additionally, they also allow customers access to their benefit money, even if their banking account is seriously defaulted or overdrawn". The customers who require independent financial advice are provided with useful literature with details of where to get free, confidential and impartial debt advice through agencies such as Citizens Advice on *www.adviceguide.org.uk*, National Debtline over the phone or *www.nationaldebitline.co.uk*, StepChange Debt Charity on the phone or visit *www. stepchange.org*, Money Advice Service on the phone or visit *www.moneyadviceservice.org.uk*, Advice UK, a special non-profit organisation helping people with disabilities or from minority communities on the phone, Civil Legal Advice. Customers can get free legal aid if their home is at risk over the phone or by visiting *www.gov.uk/legal-aid* and, finally, if they have a complaint and cannot resolve the issue with their respective bank, the Financial Ombudsman Service is the final authority to override any banking decision and can honour the claim in the customers' favour and they are also available over the phone or by visiting *www.financial-ombudsman.org.uk.*

6.2.1.3 Customer engagement

The conventional banking providers have confirmed that the growing use of e-banking by their customers has eclipsed their bank size and redbrick ethos. They have also recognised the multidimensional characteristics of customer engagement and the fact that continuing these developments over time is critical to their business. Therefore, the banking providers have actively evolved into social media in order to respond to any customer feedback in real time. The thematic analysis has further revealed that banks/BSs are constantly striving to engage their disengaged customers. Although the technology savvy customers are less inclined towards branch usage, any lifestyle-changing event such as marriage, moving house or a new addition to their family prompts a branch visit. Consequently, the service providers were keen to conduct *free personal financial review* for such customers, and, through these face-to-face interactions, banks were able to discover and fulfil their customers' personal financial objectives and cross-sell their services.

> *"These free personal financial reviews are an added bonus for our customers for visiting their local retail branch apart from the excellent service we provide them on multiple platforms. However, for us it's been golden opportunities to cross sell our service." (Respondent No. 10 retail bank D.)*

The banking officials have overwhelmingly emphasised that they have progressed from a *transaction-based model* to a more customer-friendly *relationship model* to promote customer engagement. The days of opening a current/saving account in 20 minutes is over, as advisors are now spending at least one hour with each customer because the aim now is to gain knowledge of customers' needs and goals and to help realise them.

6.2.2 Concern for employees

The fourth important primary theme is concern for employees and this emerged under the relationship approach, based on the response counts. A common view amid the respondents was that the customers are primarily influenced by their frontline staff's attitude and how he/she makes them feel during an interaction. However, at the moment, frontline staff morale is very low in the banking industry, as many of them are on very average wages yet, they find themselves making the bigger sacrifice, with caps on their salaries since the start of the banking crisis, loss of future income and security due to the mammoth fall in the bank's share price, as many staff had most of their savings tied up in the bank's shares, and, finally, an uncertain future, with the fear of being made redundant a constant worry.

This discontent amongst the frontline staff could easily harm relationships with their respective customers; therefore, different banks in the UK are trying harder to engage their frontline staff by training, supporting, rewarding and enforcing values with regard to behaviour. Almost all major UK banking providers are conducting yearly employee satisfaction surveys to monitor the level of their staff satisfaction and engagement. The most popular way of communicating with employees is through the company intranet or newsletters, as reported by the majority of the respondents. It is a growing culture now among all the major UK banking providers to send their senior executives back to the local retail branches where they conduct listening events either face to face or through web conferencing. Many others actively encourage employees to ask questions of their senior executives via email whenever they want as there is no red tape now between the frontline staff and the decision makers.

A common practice amongst the majority of the banking providers is the retraining of their banking staff on daily banking operations and the regular reading and viewing (RR&V) which is now an integral part of their job description. Additionally, customer interaction with employees is mediated through different interactive/ face-to-face platforms, e.g., online, mobile, and telephonic among others. Consequently, the customer expectations are heavily intensified, and they demand more from the staff as the knowledge of their customers increases; therefore, employee training becomes a strategic objective for the service providers.

> *"We have introduced a skills matrix for our frontline staff, for them to progress in their role and once they have successfully completed the respective matrix they can easily move up the ladder by becoming a customer advisor, financial advisor or a mortgage advisor." (Hinted by a leading banking provider, quoted by respondent No. 17 retail bank H.)*

However, a common thread amid the majority of the respondents was that staff engagement is a very subjective topic as each individual has her/his own career aims and personal priorities, but being a responsible employer banks have always tried to create a proper work-life balance.

6.2.2.1 Changing the target culture

This issue of changing the target culture has emerged as one of the key micro themes under the employee engagement nexus/relationship approach. Sales targets have been the heartbeat of daily operations in most retail environments and retail banking has been no exception. In the retail banking environment, everyday products sold to customers contain a points value to staff with which they are rewarded for each product; however, some products are weighted heavier than others, such as package accounts, life insurance, home insurance, loans and mortgages; therefore, naturally, banking staff are more inclined and in many cases pressurised to sell more of these products to achieve branch targets. In this regard, sales staff/customer advisors have to "touch point" with the manager at least three or four times a day with updates and, in cases where no sales have taken place following a customer meeting, provide adequate explanations on why they failed to "close the sale" and how they intend to meet their daily targets/points. A common view amid the *customer advisors* was "If the branch is behind the daily targets, the branch manager will call upon *power hours to push for the product of the day*, where every staff member has to add some points to the 'kitty'.

These points then have to be emailed on an hourly basis with staff names to the regional manager and any staff member who is behind the daily target gets extra training, put on reaching performance following a documented discussion, threatened with low end-of-year performance ratings, oral/written warning and, in extreme cases, receives disciplinary action. In a similar vein, the sales' staff do not get any relaxation in targets even while they are on annul leave; instead, they are expected to make up for any shortcoming in advance by *cold calling* and have to fill their own diaries.

> *"We need to remove sales targets which promote bad behaviour, mis-selling scandals and to promote confidence which mitigate our risk taking we need our customer trust." (A common view upheld by leading banking providers, quoted by respondent No. 12 retail bank E.)*

However, the majority of the respondents have echoed that, more recently, the British banks have moved away from the daunting sales culture, where staff used to be pressurised to sell products/services to achieve personal/branch points on a daily basis.

> *"Our staffs are no more targeted for products sold but only for conducting four quality personal reviews with our customers on a daily basis and there is no product bias in our sale charter." (Hinted by a majority of the branch managers.)*

All respondents have strongly emphasised that their customer/financial advisers are fully re-trained and empowered to offer only what is right for their customers whilst being fully compliant with the recent FCA regulations. Likewise, all of the banking officials have also pointed out that they have either replaced or shaken up the bonus schemes that played a big role in the past mis-selling scandals. However, a leading bank customer advisor professed that,

> *"We are still expected to sell products regardless of whether it is appropriate for the customers or not! And the only difference is now we have to fill certain new forms with the customers due to the FCA regulation; i.e., for current account, lending, insurance products - where customer actually has to sign separately that they have fully understood what is being sold to them by their bank to avoid the mistake of the past e.g. PPI debacle." (Quoted by respondent No. 2 retail bank A.)*

Similar feeling were well echoed during the focus group interaction by the participants (see Chapter 4, for full details) as regular selling practices by the UK banks and building societies were another negative aspect which emerged during the focus groups (which contradict with the banking providers benevolence dimension), majority of the participants were of the view that there is a need for radical changes to the bank's target culture and selling techniques. In addition, staff wages and bonuses should be paid on service quality rather than the number of sales targets achieved by the staff, e.g., one responded stated that:

> *"My bank has always tried to sell something to me, even though I did not need that product or service at the first place" (participant, female, 50).*

6.2.3 Concern for the business community

Business banking has also materialised as a micro theme under the relationship approach. The thematic analysis has revealed that economic turbulence is the main reason for lending reduction to businesses, whereas the respondents have expressed that blaming banks for not lending enough to the business community is not fair, as they have only tightened their lending criteria with the purpose of being a responsible lender. Certainly, through the Funding for Lending Scheme, which was a joint venture by the Bank of England and Treasury to increase lending to the real economy, banks/BS have substantially increased lending to a lot of the trades and individuals. However, more recently, individual lending has slowed due to the significant uplift in the mortgage market.

A common thread amid the participants' views was the restructuring of their business operations around the neglected trade clients in the UK. The big four banking officials have reiterated that a bigger proportion of their future business will be catered for in the UK and more specifically from the *local* business segment. The banking officials have reaffirmed the importance of SMEs for the local markets as they are one of the most important sources of creating wealth and jobs. Therefore, leading banks have brought back their business banking operations to their retail branches to better connect to their business clients. In view of this fact, banks are constantly striving to provide a one-window operation to overcome the complexities they have created for themselves and their clients. Accordingly, service providers have also put more business managers back into local branches to help small businesses and to enable them make lending decisions faster.

In addition, in adherence to The Office of Fair Trading requirements, banks are processing any request for information in real time by other lenders if their existing SME clients choose to borrow elsewhere. The banking providers have also proudly mentioned their offer of 24-months' free banking combined with an interest-free overdraft facility of £500 for new start-up businesses to meet their short-term liquidity needs. Similarly, the service providers have introduced a holistic online/mobile business banking service for their clients, through which they can view their balances & transactions in real time and make payments to payees. Likewise, clients can also set up and supervise free email & text alerts to stay in control of their finances. One respondent quoted from the Andrew Freeman blog[15] that "the national debate about business funding has been impoverished by an insistence on looking to banks to provide the single answer. It is a classic case of the drunk looking for his lost car keys under the lamppost because that is where the light is. We need to swivel our torches away from traditional lending and have a new debate on how companies grow and the role the state can play in abetting that growth".

The common threads amid these different controversies were explained by the banking officials as the new prudential capital ratio requirement by the regulator. These new regulatory requirements put extra pressure on the banks to maintain a certain capital ratio as a proportion of risky assets in the vault, which ultimately restrict their ability to lend to the individuals and business segments.

6.3 Strengthening the IT infrastructure

The recent technological advancements in the service provision of the banks have resulted in customers no longer needing to visit their branches for simple transactions such as checking their balances or to perform other routine banking. Recent innovations such as online banking, mobile phone banking or other self-service technologies such as ATMs and cash deposit machines have aided the banks in reaching out to the mass market and provide variety and increased quality in their banking services. However, one of the most difficult challenges for the banking providers is to engage their customers in these interactive/cost-cutting

[15] The original article was published in The Spectator on 6 September 2013: Don't blame the banks for not lending enough to small businesses, by Andrew Freeman, available at *http://blogs.spectator.co.uk/coffeehouse/2013/09/dont-blame-the-banks-for-not-lending-enough-to-small-businesses/*

technologies, while ensuring that they safeguard their customers' sensitive personal information/bank details. The high street banking providers have shown a great appetite in engaging more of their customers with their e-banking facilities. The growing reliance on e-banking has intensified the need for robust IT systems to sustain customer confidence. The IT glitch of 2012 that affected the systems of the RBS, NatWest and Ulster Bank had a significant detrimental impact on customer confidence in these systems, as customers were unable to access their money for days. This led many customers to question the robustness of their banking provider's IT infrastructure and competence. Another breakdown of similar proportions took place when Lloyds TSB and Halifax customers were let down after their debit card transactions were disrupted in January 2014[16]. Similar problems were experience by Barclay and HSBC customers in 2009 and 2012 respectively. However, in this regard, another growing problem which is hindering customer confidence in online banking is the increasing cases of online frauds/scams. The amount of cash siphoned in internet/e-commerce is daunting as "an estimated £163.2m of e-commerce fraud took place on card transactions in 2013"[17].

At heart, participants have acknowledged the prominence of digital technologies in daily banking operations. However, amidst these technological challenges, all banks are committed to a determined customer migration effort in order to mitigate the negative impact of branch closures as well as allowing them to make necessary cost cuts which are crucial to their survival.

6.3.1 Customer migration efforts

Customer migration has been identified as a key theme, and a common consensus among the participants was that the UK banks are turning increasingly to online and mobile banking channels, as they are cheaper to run and meet the requirements of technology-savvy customers. Similarly, others have proposed the introduction of cross-channel engagement for their customers, combined with the mobile wallet concept as a trusted alternative to physical branch banking. In view of this, in an effort to improve customer relationships, banking officials have committed to greater spending on customer analytics tools in order to gain a better understanding of the needs of their customers. By understating their customers' behaviour and spending habits, they will be able to accurately predict their future intentions and help them

[16] *http://news.sky.com/story/1201359/lloyds-banking-group-sorry-over-it-glitch*, accessed on August, 2014
[17] *http://www.financialfraudaction.org.uk/downloads.asp?genre=media*, accessed on August 2014

plan accordingly. It is for these reasons that the UK banks have adopted a systematic approach and are focusing immensely on *operation atomisation* and the introduction of self-service technologies in retail branches as an alternative way of banking. However, participants were equally convinced that the physical branch network is still fundamental to retail banking. Unfortunately, the recent financial crisis has stretched the UK banks to their limits and the key challenge banks face today is to justify the high branch-operating costs at a time of lower branch-driven revenue growth. One participant added, "We continue to review our branch network on the basis of customer usage, investment has to be made where we feel we can improve it and bring more customers in, but ultimately, closing a branch is the last resort for us". A leading UK bank official, with only 1,150 branches in the UK, has rather bitterly reported that,

> *"Being a commercial entity we owe a greater responsibility to our shareholders and any decision to shut or reposition a branch should be made on virtuously commercial grounds, as a physical branch accounts for approximately 60% of the costs." (Quoted by respondent No. 9 retail bank D.)*

The respondents have particularly dwelled on the recent growth in mobile banking and labelled it as a growth beyond expectation driven by smartphone growth. Customers are using mobile banking for account management and payment & transfers on a daily basis and banks have greatly benefitted from this improvement, as expressed by one participant,

> *"Our customers are making fewer calls to their bank, visiting their branch less often, spreading good word-of- mouth and at the same time buying additional products from us who reflect a greater loyalty." (Quoted by respondent No. 12 retail bank E.)*

A contradiction that has arisen from these developments was raised by a number of participants as; although mobile banking makes a lot of financial sense for the banks and they are actively driving customers towards this most cost-effective way of banking, at the same time, their customers are getting further away from face-to-face interaction. In this regard, previous research has demonstrated that "customers may utilise self-service channels even when *employee encounter service channels* may be more appropriate" (Blount, 2011: 138). This might create a situation where banks may struggle to cross-sell their products as more and more customers are driven towards self-service technologies. Therefore, a challenging task for the banking providers is how to engage these customers. One strategy which the service providers have recently utilised is to monitor behaviour of their e-banking customers and discover what they were looking for on their mobile devices. By doing so, the banks were able to offer them tailor-made products and services. Moreover, the majority of the respondents have commented on the emerging role of the UK Post Office counter service in the British banking industry, particularly in areas where local bank branches have to be withdrawn.

> *"As customers can withdraw cash, deposit cash/cheques and also check the balance of their bank account, free of charge over the counter in any of the 11,500 Post Office branches; but most importantly give the failing post office network a valuable shot in the arm through these new alliances by high street and internet based banks." (Mentioned by a Post Office official.)*

The Post Office has recently gone in to direct competition with the retail banking providers under the arm of the Bank of Ireland and this has created further problems/opportunities for them. The Consumer Focus has estimated that 3.9 million customers are already utilising over-the-counter service facilities in numerous Post Offices and the possible potential is for up to 18 million customers to use the service.[18] Thus, it can be safely concluded that the UK banking industry has changed dramatically following the recent financial crisis and the competition has grown stronger, with promising opportunities for the customers and their banking providers.

6.4 Summary

This chapter concludes the detailed thematic analysis of the dataset which has derived from the 20 semi-structured interviews conducted with numerous regional managers, branch managers, customer advisors, business managers and cashiers from the UK retail banking industry. The subject thematic analysis has reported the emergence of distinct themes such as transparency, supporting small businesses, strengthening the IT infrastructure and the need to change the dynamics of the relationship approach, i.e., concern for employees and concern for customers. The participants have criticised the UK government and the rating agencies for the banking crisis but at the same time they were willing to accept their own role in the recent financial crisis, *which is a promising start*. The interview data has further elaborated that the UK banking providers have seemed to realise the importance of customer trust, as the respondents believed

[18] http://www.consumerfocus.org.uk/news/current-account-customers-should-be-able-to-bank-on-post-offices

that maintaining trust will be beneficial for the whole industry to sustain a long-lasting relationship with their customers. The following chapter relates to the discussion of the research findings, conclusions, managerial implications (by integrating the mixed methods research results), and also lays down the avenues for future research directions.

Chapter 7

Conclusion

The distinct aim of this study was to investigate customers' perceptions of their main bank's cognitive and affective trust dimensions following the recent financial crisis. The study has also empirically validated the underlying mechanisms by which customers develop trust in their banking providers. The researcher aimed to achieve these objectives through a five-factor model in the context-specific parameters of the UK retail banking industry. The quantitative findings have provided strong support for the proposed model as all hypotheses have been supported. Furthermore, to comprehend the banking providers' efforts on how to reinstate customer trust, 20 semi-structured interviews were conducted with various UK banks and building societies' executives, which yielded promising results. The previous Chapters, 5 and 6, illustrated the key findings generated from both quantitative and qualitative approaches.

This chapter predominantly dwells upon the research findings followed by the research's academic contributions to the UK retail banking industry. In doing so, numerous managerial implications are also presented which stem from the theoretical and empirical findings of this study. The discussion also expands upon the views held by the UK retail banking providers on how to reinstate their customers' trust following the recent financial crisis. Furthermore, the chapter highlights limitations associated with this study and towards the end it concludes with the directions for future research in the present domain.

The last three decades have been littered with the manifestation of a number of financial crises such as the Asian Crisis of 1997 (Chang and Velasco, 2001; Kaminsky and Reinhart, 1998; Sander and Kleimeier, 2003), dotcom boom-and-bust in 2000 (Wolf, 2007) and, the most significant of all, the subprime mortgage bubble/crisis of the summer of 2007. In the wake of these financial crises there is evermore interest in exploring the relevant causes and cures for such episodes in order to reinstate public trust in financial institutions and kick start real economic growth. Therefore, existing studies have identified the need for early warning systems (Karim and Davis, 2008), adaptation of more resilient business models (Giannetti, 2007), and constitution of smarter regulations in financial services to control the complex financial engineering products.

A study by Keasey and Veronesi (2008) stated that the subprime crisis exposed the way banks were avoiding direct regulation by utilising *special-interest vehicles.* The regulators were primarily anxious about whether there is ample liquidity in the banking system to cope with the losses. Similarly, Nahmias (2011) also reported that regulators were less innovative than *the financial engineers* and minimal supervision has certainly played a role in the financial crisis. A study by Keasey and Veronesi (2008) asserted the weakness of the UK tripartite regulatory system, which did not predict nor prevent the crisis, and proved that the issues fell between the cracks because no single party appeared to be in overall control.

Although trust in financial institutions has been eroded due to the recent financial crisis, the general public's confidence was further denuded through well-exposed cases of integrity, competence and benevolence violations in the UK since the autumn of 2008. For instance, LIBOR fixing, money laundering, and the PPI scandal, numerous IT glitches – especially near the festive periods – and swap mis-selling to small businesses. Similarly, further damage has been done to the industry by the *global media commotion* that has surrounded the payments of bonuses and provocative pay packages for the failing banking Chief Executives and the Casino Bankers (Holland, 2010; Turner, 2009). Therefore, the general public is angry and has a negative image of the banks after the bailing-out of the major high street banking providers through public funding in the UK.

This study has addressed the dynamic aspects of trust rather than static constructs in the UK retail banking context, i.e., how to reinstate customer trust? The proposed study has sought to draw from the antecedents of the trust paradigm in a firm-level phenomenon grounded in the systematic literature review. While developing the research approach, rather than selecting among the different antecedents of trust, this study opted to benefit from the diversity through integrating, where possible, different antecedents to form a micro-level trust repair model. Similarly, despite its exploratory ethos, this study has delivered valuable insights on how to reinstate customer trust at the micro level following the recent financial crisis. The selected latent factors, i.e., customer engagement, staff engagement, branch presence, complaint handling and financial literacy are not *alienated variables* in the domain of relationship marketing as much of the earlier research has shown their positive effect on customer trust (see Chapters 2 & 3 for full details). This study has highlighted their combined strength on how to repair CTRB.

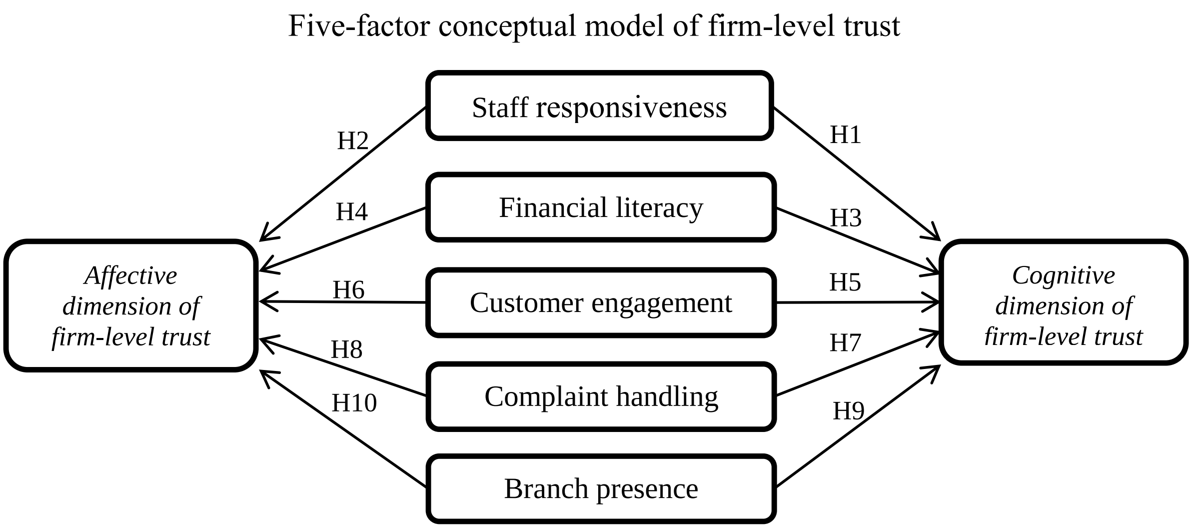
The simplified model in this study is of special interest to the policy makers in the banking sector as they can measure the level of consumers' perceptions of their cognitive and affective dimensions of trust by conducting periodic studies with this survey instrument. A major contribution of this study is its *five-factor model,* which can also be effectively utilised by other service-driven organisations to assess their cognitive and affective dimensions of trust with little modification, allowing them to realign their business operations to reinstate customer trust. Furthermore, during the qualitative phase of the study the banking officials have unequivocally acknowledged the importance of trust in the bank-customer relationship and participants were equally agreed that strengthening the bank balance sheet might restore general public confidence, but it is not enough to restore their trust. The participants have overwhelmingly reported that even the regulators may not be able to reinforce customer trust on its own, as they are increasingly creating friction between the consumer and banks through increased regulations.

An influential element which emerged through these semi-structured interviews was the participants' acceptance of trust and its importance in today's dynamic banking environment, followed by their understanding of different antecedents of trust in bank-customer relationships, e.g., transparency in banking operations, refining the service quality, complaint handing, importance of the cooperative attitude from frontline employees and rewarding loyalty to reinstate customer trust. In addition, the banking officials have acknowledged their inability to serve all stakeholders equally preceding the crisis, as they were too inclined towards their shareholders' interests through making more money for the bank. Similarly, their No. 1 priority should have been their customers as an end goal, and shareholders' value should have been generated as a result of their activities – a common view which prevailed during the TA process.

7.1 Reflecting on the conceptual five-factor model

Due to the complex and dynamic nature of customer trust at a bank level, it necessitates taking multiple factors into consideration. Therefore, in this study the researcher has assessed five factors, i.e., staff engagement, customer engagement, customer financial literacy, branch presence and complaint handling to reinstate customer trust. Figure 7.1 reflects the "Bank-level trust repair model".

Figure 7.1: Final conceptual model of the bank-level trust



Throughout this study, detailed accounts of the previous literature regarding organisational trust and its antecedents have been carried out and, thus, customer engagement, staff engagement, complaint handling, branch presence and financial literacy were chosen for the model formulation. Furthermore, during the data analysis phase, quantitative findings have shown strong support for the postulated hypotheses and the selected variables are asserting significant influence on bank-level trust. Therefore, based upon the statistical findings and detailed thematic analysis, this study has successfully answered the two research questions. In addition, the key strength of this study is its ability to regress the five latent variables separately on each dimension of the firm-level trust in the bank-customer relationship, as customer trust has been equally affected by the cognitive (i.e., integrity, reliability and knowledge construct of the banking provider) and affective trust (i.e., benevolence construct) violations since 2007-2008. Following is the detailed account of the two independent variables employed in the proposed five-factor model.

7.1.1 Cognitive dimension of the bank-level trust

The mean and standard deviation scores for each of the items measuring customers' cognitive trust in the banking provider have reflected that the perceived honesty and reliability of their main banking provider appears to be the weakest point e.g., 2.92 and 2.89 overall mean respectively (see Chapter 5); whereas the respondents are quite optimistic regarding their banks' efforts to uphold their confidentiality, with an overall mean of 3.36. In order to understand what lies behind these integrity and competence violations, Kim *et al*. (2006) stated that the *intentional violation* of an agreed-upon principle is an integrity violation, which was evident from the recent financial crisis and the subsequent banking scandals as the banking providers have *intentionally* taken advantage of the weaker party, i.e., their customers. The researchers have further stated that lack of proper training and knowledge may lead to competence violations. A study by Poppo and Schepker (2010: 128) prioritised competence-based trust over integrity-based trust and argued that the general public may refuse to buy financial products from incompetent banking providers, while failures of integrity may affect the esteem in which an organisation is held.

Therefore, these results should be a sincere cause for concern for the retail banking providers, as customers' views regarding the banks' ability, competence and integrity are extremely frail. Along similar lines, Bennett and Kottasz (2012: 141) reported that "effective reputation management will therefore be crucial for the sector's future success, as public assumptions that banks lack competence and integrity will harm the public's willingness to purchase financial products from banks". In model one, while examining the individual effect of the selected variables on cognitive trust dimensions, it appears that customer engagement exerts 63.7%, staff responsiveness 61.9%, branch presence 55.7%, complaint handling 48.7% and financial literacy employs 31.6% of the contribution in to the construct. Therefore, it implies that improving service quality through staff and customer engagement is the most critical determinant of cognitive trust in the retail banking context.

These findings are also consistent with the previous research by Sekhon *et al*. (2013: 82), as the researchers have positioned "cognitive trust as the rational component which allows the trustor to develop specific knowledge about a trustee's characteristics and behaviour, this highlights the position that the trustee should hold the appropriate knowledge about the trustor, in a complete manner". There is no doubt that *customer engagement* has gained the higher weight in the cognitive trust model. The researchers have further highlighted competencies such as "proper treatment of customers by front-line employees, dealing with concerns promptly, keeping promises and showing a high degree of integrity" (Sekhon *et al*., 2013: 82) as a successful service delivery mechanism.

7.1.2 Affective dimension of the bank-level trust

The study findings have revealed that the affective trust dimension of the bank-level trust is equally demoralising as the respondents disagree that their main banking provider's service fees & account charges are reasonable/fair. Rather, a majority of them have criticised the expensive account maintenance costs. The respondents have further argued that their main bank has also failed to keep them better informed regarding banking charges and account maintenance fees, which yielded an overall mean of 2.98. Likewise, respondents are less certain of the fact that their bank has kept their interests at heart when it comes to offering different financial products and services (2.93 *overall mean, see Chapter 5*). Unfortunately, customers believe that high street banks keep selling financial products without considering their suitability for the customers. This is quite evident from the recent mis-selling practices of PPI, package accounts and credit swaps to SMEs. However, banking customers tend to be neutral regarding their main bank's efforts towards fraud prevention, with a mean of 3.01. Furthermore, within the affective quadrant, the research model has been a significant fit, as the hypothesised antecedents explained 71.1% of the variation in the affective trust dimension of the firm-level trust.

The high adjusted R^2 value also advocates that these five independent variables are very strong predictors of the affective trust. Thus, by comparing the consecutive models, incremental R^2 values showed that in each model the hypothesised independent variables make a significant contribution, i.e., staff responsiveness 47.1%, customer engagement 51.5%, financial literacy 31.9%, complaint handling 54.9% and, finally, branch presence makes 41.4 %. Remarkably, complaint handling is making the highest contribution in the affective quadrant, followed by customer engagement. The results of this study are also quite consistent with the more recent study by Sekhon *et al*. (2014) in the UK financial services, as, in their proposed model, shared value and benevolence exert a significant effect on affective trust as compared to cognitive trust.

Following is the detailed account of five dependent variables being employed in the "Bank level-trust repair model" which has been empirically validated in this study. It provides an in-depth account through empirical evidence that the retail banking industry can mitigate the negative impact of *branch closures* via proper implementation of *self-service technologies*, of which internet banking is of profound interest and importance. By considering the potential of the internet, this study seeks to add further insight into self-service technologies, as, through this platform, banks may set customers free from the traditional red-brick structure of the branch banking experience. Therefore, the policy makers may utilise this protocol to re-engage their customers "on-the-move". This may also increase the constant demand for transparency in their banking operations and, finally, banks may acquire a greater share of the wallet.

The greater use of e-banking has empowered the UK customers to a larger extent. It has also shifted the balance of power from the banking providers to ordinary customers and ultimately intensified competition within the retail banking industry. Therefore, there is a need for drastic measures within retail banking operations and policy makers may have to utilise new analytical tools to understand the preferences of their customers. This study has also highlighted the significance of *financial literacy* and its negative correlation with the cognitive dimension of firm-level trust. Consequently, policy makers in the pre-crisis era will have to play the role of an educator and they may need to educate their customers in order to evaluate their basic financial literacy skills. However, the enduring feature of this variable is its complexity and the paradox of financial literacy. The policy makers may have to be very careful when it comes to educating their customers, as excessive financial information may motivate their customers into becoming "cherry pickers" and they may only pick the best interest rates or service providers.

Therefore, a more promising strategy would be to balance the degree of financial education towards their customers as they ought to be able to understand their basic banking, which may reduce any service-related complaints, without converting them into financial advisors. Therefore, these decisions or initiatives to improve financial education or financial literacy (as these are two different constructs, i.e., providing financial information and education) have to be paid great attention in the retail banking sector. In response, through the TA, it became very evident that the banking providers are now educating their customers and have provided different modes of delivery, i.e. face-to-face or online tools, to enable them to take responsibility to manage their personal finances and eventually increase transparency in their banking operations.

At heart, financial education has a crucial role to play in helping consumers as it will enable them to better assess the claims made for financial products. However, "financial education is insufficient on its own - there is only so much we can realistically expect of people and the financial industry seems to have no limits in terms of complexity and sophistication. Financial service providers must bear responsibility for producing information people can realistically use and understand"[19]. A different contribution of the present study is its ability to highlight the *existing low level of staff engagement/staff responsiveness* in the retail banking industry. Previous research has demonstrated that staff friendliness and competence are the key factors to building customer loyalty in the retail banking sector (see Mandhachitara and Poolthong, 2011, for a full review). The researchers have further stated that "the retail banking industry tends to be characterised by a fairly high level of *spurious loyalty* due to the homogeneity of service" (p. 132) and this homogeneity of service often contributes to the emergence of service quality. Similarly, Parasuraman *et al.* (1988) also reported *staff empathy* and *responsiveness* as the key dimensions of service quality.

A study by Fleming and Asplund (2007) stated that frontline employees play an acute role in *how* customers experience the firm, as value is created when a customer interacts with an employee. Similarly, "the behaviour and performance of customer-contact staff has a strong impact on perceived service quality and reinforcement of customer loyalty" (Mandhachitara and Poolthong, 2011: 133). In contrast, the survey results revealed that the reality on the ground is poles apart in relation to staff engagement, as the participants viewed the frontline employees as less eager to help and not have a caring attitude when it came to assisting customers. Therefore, the banking providers must realise that today's customers are more knowledgeable than their predecessors due to the technological enhancements and accessibility of information. This has prompted customer expectations to reach a new level with regard to *functional service quality* issues as they are expecting more from the FLE. These results have shown that there is a need for a drastic shift in the retail banking sector while organising the *employee management nexus* for the banks to achieve competitive gains.

Eventually, it may improve *functional service quality*, which may be helpful to limit customer defection. Moreover, banks may not only require external marketing but equal emphasis should be placed towards internal marketing, e.g., on-the-job training and staff inspiration etc. "which enables firms to attract, retain, reward and motivate quality personnel, and in turn improve their capability to offer quality services" (Shainesh, 2012: 269). However, *interactive marketing*,

[19] Meglena Kuneva, European consumer commissioner, *Restoring consumer trust in retail financial services*, ESBG conference speech "Retail Banking in Europe – the way forward, lesson from the crisis and priorities for the future, Brussels, 22 September 2009.

e.g., "*different skill matrix",* needs to be formulated for frontline employees as it will make a significant difference in service quality (i.e., reaching customer expectations) and customer satisfaction (i.e., exceeding customer expectations).

This study also reaffirms the views regarding *banks and their social obligation,* bearing in mind the wider customer support for the notion that "branch network is a sign of a bank's commitment to its consumers" (as 53.2% of the respondents have supported this view). In a broader sense it also implies that banks have a wider social responsibility to the communities in which they operate. Therefore, banks must not shut their retail branches solely on the basis of economic viability as an excuse, but rather they should integrate more within the local communities to strengthen their relationship, e.g., by supporting different charities, community groups or local schools and colleges in order to build their social capital. The survey results also illustrated that 65.3% of the respondents "can get most of their banking done without visiting the physical branch". Thus, these results have verified that conventional branch services are used less, as customers favoured self-service technologies, e.g., *e*-banking etc.

Therefore, banks of all magnitude must integrate a proper complaint handing protocol over the self-service technology platform due to the fact that any unhappy customer may switch their account/s elsewhere. A more recent study by Proenca and Rodrigues (2011) also supports this line of thinking, as the researchers have highlighted that SST users have a higher propensity to complain, which in fact, can be seen as a second chance for the bank to address any element of discontent in order to satisfy/retain their loyalty customers. The results of this study have also shown that less educated customers and those on social security benefits are more likely to use their physical bank branches whilst the majority of the customers (76.6%), predominately younger customers, are more likely to prefer/use the non-tangible attributes of their bank, e.g., self-service technologies.

A critical contribution of this study has been its ability to test the *post*-complaint customer behaviour and, based upon the empirical findings, it has reaffirmed the existing lower level of "interpersonal factors such as lack of courteous treatment and listening skills while recording a customer complaint in the retail banking industry" (Gruber *et al*., 2011: 138). Furthermore, 43% of the customers disagree that they have experienced an encouraging staff attitude while recording a complaint; whereas complaint handling is an important construct for the service organisations to retain their customers, especially in the context of long-term profitability and successful banking relationships. Therefore, it is unfortunate that customers are not quite convinced that they have been kept informed regarding the progress of their complaint, or been provided with a satisfactory explanation if the answer was *no*. In this regard, a study by Casado *et al.* (2011: 35) suggested four distinct outcomes in *post*-customer complaint behaviour with harmful effects, i.e., "(a) no action, (b) complaint behaviour (to the company and/or to relatives and friends), (c) exit behaviour (switch providers) or (d) complaint and exit behaviour simultaneously".

Therefore, through the integration of the quantitative and qualitative findings, this study has concluded that, while the UK retail banking providers' cognitive and affective trust dimensions are in desperate need of being elevated, the banks and a cross-section of the building societies are working very hard to reinstate customer trust by *repairing the fundamentals* through fairness and transparency. The most effective approach may lie in their ability to re-establish their trustworthiness and to be more customer-centric rather than product- or sale-focused. The service providers may appropriately educate their customers to improve their ability to understand daily banking activities. Furthermore, the banking providers must try to engage their customers through more appropriate and personalised services over diverse platforms, which may lead to their greater inclination to engage with their own bank/BS. To conclude, banks of all magnitude must stop confusing customers with *linguistic gymnastics.*

7.2 Recommendations

The preceding sections have discussed the findings of this study in relation to reinstating customer trust in the UK retail banking industry following the recent financial crisis. For instance, in the quantitative phase, the proposed five-factor model has proved to be a significant fit. In addition, the quantitative findings have also helped to plan the qualitative phase of the study, which itself is enriched with 20 semi-structured interviews with the leading UK retail banks and building society officials. In general, the methodological adaptation has offered more support and richness to the theoretical conclusions. Therefore, based upon the empirical findings (i.e., combination of findings from quantitative and qualitative approaches), this study can propose suitable tactical recommendations for the policy makers on how to reinstate customer trust in the UK retail banking sector.

An apparent implication of these findings is that the retail banking providers can leverage the underlying mechanism of organisational trust to retain a trustworthy image. For instance, aspects such as improving customer's financial literacy, customer engagement, FLE engagement, complaint handling and branch presence should be understood and measured to re-instate organisational trust. Similarly, investment in self-service technologies, being customer-centric, fairness, rewarding loyalty and transparency in banking operations were the key themes to have emerged during the TA process, which are equally crucial for the retail banking providers to regain ground. Although banking providers have shown dedication to serve customers fairly, so far they have failed to deliver on that commitment as customers still *regard banks as a necessary evil*. Likewise, banks cannot regain customer trust through *charitable donations* and *expensive advertising campaigns.* To begin with, the lack of transparency in banking operations is a serious risk factor and recovering customer trust hinges on the banks' ability to produce concrete enhancements in risk management. The depositors/regulator may feel frustrated as the absence of information which they need to make a sound decision.

Similarly, banking without transparency is at worst unreliable and lack of transparency will not only give rise to the potential for financial losses, but also eclipse firm trustworthiness. Therefore, when financial institutions fail to self-regulate, governmental regulators have an obligation to step in and, when obligatory regulation fails, other constituencies, including investors and civil society, must raise their voices and demand greater transparency in the banking operations, "as transparency is famously non transparent in banking operations"[20] in the UK. As discussed earlier in Chapter 2, the current lower level of customer trust in the banking industry is not exclusively due to external volatility, as several issues banks/BSs face today are rooted internally. There is a need for a business model shift to a *fairer, transparent and resilient banking model* which is hard to violate and trustworthy enough to conduct business with.

The retail banking activities should be built around their customers' needs in conjunction with apt and reliable services. An enriched service experience through resilience (i.e. reliability) and simplification should be the main priority for the new banking architecture. Banking has to be

[20] The Organisation for Economic Co-operation and Development. OECD (2001) *"Flagship Report on Regulatory Quality".*

made easier to understand and quicker for customers to do business with. There have to be safer and buoyant grounds for banking operations to regain customer confidence/trust. Moreover, to reduce their operating costs, banks must turn their attention to developing a sound technological foundation to facilitate cross-platform interactions, i.e., an interactive e-banking with full accountability, which will be helpful to build customer trust towards self-service technologies and may equally mitigate the negative impact of branch closures. Furthermore, to reinstate customer trust on different interactive channels, banking providers must also *educate* their customers on how to utilise different interactive tools/channels. In a recent study, Blount (2011) also highlighted that the success of the self-service channels relies on the customers' ability to understand on how to use that interactive channel or else this might produce negative attitudes towards it.

A study by Mandhachitara and Poolthong (2011: 132) characterised the term loyalty in banking as "fairly highly spurious" due to the homogeneity of retail banking products. Similarly, Blount's (2011) findings indicated that it is more beneficial or cost effective to engage and retain existing customers rather than charming new customers, i.e., a loyal customer may be worth 10 times as much as its average customer. Therefore, *rewarding loyalty should be on top of the agenda for the banks/BS; the banking providers must abolish their teaser rates and stop offering deals and products to new customers which they are not prepared to offer to their existing customers.*

Unfortunately, the UK banks are under the false impression that customer inertia may help retain existing customers, but this may develop into a risky perception that banks/BSs do not value loyalty and thus backfire, as the introduction of the FCA's new *Seven Days Account Switching Service* from September 16, 2013, coupled with numerous *Price Comparison Sites* may have dramatically impacted customer inertia in the UK. For instance, "for the six-month period between October 1, 2013 and March 31, 2014, 609,300 UK current accounts were switched, a 14% increase compared to the equivalent period in 2012 when there were 532,500 switches"[21]. Therefore, the retail banking providers have to value customer loyalty by creating fairness and changing their deals for existing customers. Furthermore, banks must also monitor their existing customers' *share of the wallet* regularly, as customer retention figures may reflect

[21] *http://www.whatech.com/market-research-reports/press-release/23997-retail-bankling-current-account-market-insight-to-2018* [accessed on 19th August, 2014]

false signals. Banks might be blissful with their *retention figures* and may equally be unaware of the fact that customer may have long gone to the competitors and emptied their accounts without closing them.

Banks and building societies have to rise up to their customers and employees' expectations through a relationship approach as these two stakeholders co-exist, e.g., employee satisfaction may imitate/have a mirror effect on customer satisfaction. The *post*-scandalous banking industry requires not only external marketing to their customers but also internal marketing, i.e., to re-train and motivate employees to serve customers better. In a previous study, Dietz and Gillespie (2011: 54) stressed the importance of careful attention to building and sustaining internal trust levels, which is critical to recover employees' trust and pride in their employer. Similarly, Mandhachitara and Poolthong (2011) also found that training and motivation of employees can make a significant difference to service quality/customer satisfaction because most services are provided by people.

A fundamental decision for the retail banking providers is to uphold their benevolence, i.e., meeting customers' expectations through fairness and keeping customers' interests at heart (as lack of benevolence can significantly affect a firm's trustworthiness; see Chapter 2 for full details). However, this study has revealed a dubious situation in the UK retail banking context, as banks' *affective trust dimension* is quite thin on the ground. In order to put this in to perspective, the Financial Ombudsmen Service in its latest six-monthly review of complaints in 2014 revealed a grim picture regarding banks and insurance companies. The ombudsman mentioned that there had been 191,129 complaints about financial services in the first half of the year; however, interestingly, this was down from 193,054 in the last six months of 2013, and well down from early 2013, when it had peaked at 266,228, or 12,000 a week[22], so the 2014 figures are a steady improvement.

Furthermore, based upon the theoretical findings in previous chapters, it can be argued that "complaints are the golden opportunities" for the service providers, as customers are giving them a second chance to fix the problem, while in modern-day banking the intrinsic complexity of services, customer naivety, employee incompetence, and technological mishaps may trigger

[22] *http://www.ft.com/cms/s/0/8dee8e5c-32ad-11e4-93c6-00144feabdc0.html#axzz3CB5qJiv1* [accessed on 25th August, 2014]

service let-down. Customers may even suffer *double deviation*, e.g., a customer might have raised a complaint and the bank may play it down rather than resolving the issue as it may result in the bank incurring a financial loss. Such a reply lacks *integrity* and, in circumstances where the customer has incurred financial loss, lacks *benevolence* (see Dietz and Gillespie, 2011, for full review). Similarly, Casado *et al.* (2011: 42) also reported that the recovery process was the main trigger for customers to switchover their service providers and a later attractive pricing strategy may not be sufficient for re-acquisition. Therefore, service providers need to acknowledge, apologise and offer sufficient explanation & fitting compensation when dealing with complaint handing. It is through successful problem solving that banks may be able to influence their customers' perceptions of trust and trustworthiness. Similarly, the TA has also revealed that the majority of local retail branch managers have been give greater autonomy by their respective head offices to solve 70% of the customer complaints within the branch.

An important contribution of the present research is its ability to demonstrate that the retail banking customers were making wider use of *e*-banking alternatives more often than the conventional branch network; however, the majority of them still valued the physical branch beyond its symbolic representation. Therefore, the *high street* is still a key part of the relationship through physical branches as they remain popular not only for general banking services but also for raising customer complaints. Similarly, the vast majority of the customers consider the branch network to be a commitment to their local communities by the banks. These findings are also consistent with the TA outcomes, as the banking providers have successfully implemented customer migration efforts through *e*-banking to mitigate the negative impact of branch closure, although it can be argued that the physical branches are surely not the preferred means of banking as the majority of customers can conduct their banking without visiting a retail branch.

Whereas, in the TA analysis, the banking officials have also revealed that it is the most costly platform for banking, in terms of sustaining customer confidence, banks still preserve the branch network for complex service queries and banking trade in the local communities. Similarly, through their presence in the local communities, banks may be able to focus/improve their social capital; if closing a retail branch becomes the last option, the bank must integrate *well in advance* with the local community to mitigate the negative impact, as branch closure would be devastating news for rural communities and small towns. The customers must be shown/educated regarding the alternative ways of banking, and must be given sufficient notice in case they want to switch their banking provider.

In the midst of the recent financial crisis, customers do understand the risk intricate in financial services and they are anxious regarding the protection of their banking deposits. These anxieties demand an improvement towards product information and delivery mechanism to reinstate customer trust. To begin with, banks/BSs have to inform customers regarding The Financial Service Compensation Scheme (FSCS), which is backed by the government and protects up to £85,000.00 in the unlikely event that anything should happen to the bank/BS. It is also evident that trust is still fragile in the market; therefore, the bank/BS providers have to be extra cautious while offering specialised investment products, e.g., bonds and long-term investment through other "sister concerns" or specialised financial firms etc., as such products may be viewed by customers with suspicion due to information asymmetry and they might consider other firms less trustworthy. The retail banking provider must concentrate on core products such as packaged accounts, savings accounts, insurance, credit cards, business banking and mortgages etc. In this regard, following the distrust perceived by the consumers, one strategy might be to increase transparency concerning cost/return, risk and bank/advisor's commission/fee etc. to comfort consumers' cognitive burden regarding their understanding of those complex products.

Banking customers must be provided with simple-to-understand fact sheets pertaining to legal requirements and their rights regarding complex financial products, although in the past such information was not provided to the clients to inform them regarding their rights but rather purely to protect/fulfil the banks' legal obligation. Therefore, in the new retail banking model, banks have to develop new ways of educating customers and to handover appropriate information to protect customers. This will effectively leverage their integrity, concern for clients and may restore confidence and pride in their banking advisors or frontline employees. The issue of bonuses is also to be handled with great tact, as in the financial sector the problem is not their current levels but to whom they have been paid; for instance, if bankers make a huge input to the sector, they should be suitably remunerated. However, the issue is when bonuses have been paid to the failing CEOs in the bailed-out banks. Therefore, the industry must introduce *performance-based bonuses* for value-added personnel with long-term orientation rather than enriching only a tiny minority. To revitalise the small and medium enterprises, there is a need for open dialogue between the lender and SME community. As the big four banks in the UK hold 85% of the SME lending business, they must be at the forefront to provide cash injections in these turbulent times. Additionally, transparency must be evident to restore confidence among the business community; for instance, in a case where a loan application is declined, the bank must explain its decision and must share all the relevant information with the client, i.e., what the client could do to change that decision over time. The client's right to appeal against the decision with the lender and even their right to challenge the credit reference agencies if they hold incorrect or inaccurate information on their credit file should also be highlighted. A good practice to demonstrate benevolence and improve confidence amongst the smaller businesses would be to educate business clients prior to such applications, i.e., the business managers may play the role of a mentor.

In this regard, to improve transparency in the SME lending market, George Osborne, the chancellor announced a new website in November 2013, Business Banking Insight[23], which will allows SMEs to rate different banking providers' services on the basis of criteria such as fair & clear, value, tailored, availability and informative etc. to stimulate healthy competition in the market. Furthermore, to break up the oligopoly situation in the lending market, as the big four banks hold 85% of the small business lending in the country, it can be reasoned that, to implement more competition into the small business lending, the regulator may start capping the lending stake of the individual banks. Moreover, the Treasury may be able to use part government-owned banks, e.g. RBS and Lloyds, to improve competition in the lending market.

7.3 Research limitations

While this study has provided valuable insights, there are some limitations that need to be considered. Firstly, there were some difficulties with the distribution of the survey instrument, as banking providers and building societies refused to share the questionnaire with their customers (especially on the issue of trust), and the researcher was not allowed to distribute the survey from their premises (the retail branches). Therefore, the researcher distributed the questionnaire through SurveyMonkey and Mall intercept platforms. Thus, the data collection through different platforms reduced the effect of single platform bias. Nevertheless, the impact of the different distribution methods has not compromised the reliability and validity of this

[23] http://www.businessbankinginsight.co.uk/sole-trader/products/business-current-account?sort=att.fair-and-clear

research. In addition, the researcher is also aware of his role as *an employee of a bank*, for the last nine years in the UK. Therefore, one of the challenges of being an *insider researcher* is that a few participants from competitor banks were reluctant to open up during the personal interviews; but, once they had been reassured that there was no hidden agenda to these interviews and that the information provided would only be used for the publication of this PhD thesis and subsequent research papers, they willingly took part in the research.

Furthermore, being a Financial Institution employee, there is the chance of being susceptible to missing important themes by the researcher during the thematic analysis process. In order to avoid this limitation, all interviews with the bank and building society officials were carefully transcribed (if recorded, as participants were very wary and anxious concerning their confidentiality, especially due to the media commotion surrounding the banks & bankers involvement in numerous trust violations) and two independent researchers were deployed as a *fresh pair of eyes* and were advised to generate their own primary and secondary themes. Furthermore, prior to the final selection of themes, independently-driven themes were examined against the selected themes for consistency, which yielded consistent results, with the exception of a few themes that were disregarded in the final analysis.

In this research, staff engagement was measured through their responsiveness towards customers, rather than the actual interaction by the researcher with the front-line staff in different banks/BS. Similarly, the request for any subjective data was also denied by the banking providers regarding staff satisfaction survey conducted before and after the crisis. Although, the researcher did have the opportunity in the quantitative phase of the study while conducting semi structured interviews with the banking officials to enquire regarding their job satisfaction. However, this idea was not practicable as there were only 20 banking/BS officials being interviewed and generalizability might have become an issue.

In the present study, *common method bias* was another important challenge to be dealt with due to the primarily utilisation of the self-administered survey or single source survey; as it could be considered as a potential for common method bias (Conway and Lance, 2010). As, in the present research respondents were being asked to rank both dependent and independent variables because the general public in the UK are the most effected entity due to the recent financial crisis. Therefore, it would have been unbiased for them to rank their own banks cognitive and affective dimensions of trust followed by their own assessment of the different variables to reinstate trust. To control for any base in the dependent variable rating, in part one of the questionnaire, a question such as "have you ever worked/working for any financial intuition" as financial institution / banking staff might have portrayed a very rosy picture. Secondly, the survey instrument was being administered through different platforms, i.e. SurveyMonkey and Mall intercept to mitigate for the effect of single platform bias.

In a similar vein, the researcher believes that the present study may suffer from the problem of generalisation. As the findings of this study are limited to the context specific parameters of *the retail banking sector*, which will be difficult to generalise to other industries. Although, it may help in *theoretical generalisation* i.e., to infer findings from the present study towards other service driven sectors i.e., insurance and super market etc. However, caution should be used in generalising the findings to other industries.

In the present study the researcher has limited their analysis to explicit variables, for instance, complaint handling, customer engagement, staff engagement, financial literacy and branch presence; although, the robustness of the subject model is its *straightforwardness*, but further research might be needed to determine whether additional variables, e.g. product, pricing, reparation and candid communication might influence the cognitive and affective trust demotions in the retail banking context.

Finally, as from Chapter 4 it is well obvious the imbalance between the qualitative and quantitative *sampling*. In the present study, the quantitative data was collected from 508 members of the general public in the UK. While, there were only 20 qualitative interviews being conducted with the different bank and building society officials. The researcher believed that this is due to the sensitive nature of the topic i.e., "recent financial crisis" or "bank's efforts to restore their customer trust" which may have limited the participant's willingness to be interviewed due to the *growing anxiety* around the topic area in the UK media and general public.

7.4 Avenues for further research

While conducting this research a number of areas were acknowledged for further research. Firstly, in the present study a *snapshot approach* for data collection has been utilised as, presently, customers may be harbouring a more negative mind-set towards their banking providers due to the recent integrity and competence violations combined with the bailing-out of the failing banks in the UK. Thus, a longitudinal study might yield different results since policy makers are trying to reinstate customer trust. Therefore, in the near future the proposed model may be re-deployed to assess the effectiveness of their strategies; whether they have successfully elevated their banks' cognitive and affective trust dimensions.

Secondly, it would also be equally interesting to test the proposed model in other service-driven industries, e.g., insurance, supermarkets etc., since it will be beneficial to gain more generalised findings across the Business to Consumer Industry to initiate measures to re-establish customer trust. Furthermore, there are equal prospects to conduct a wider qualitative study through more in-depth interviews into customer trust with the context-specific parameters of recent integrity and competence violations. In other words, a comparative study with a large sample of customers may be a productive approach for future research to ascertain general public perceptions on how they want their trust to be restored, which may yield a wider range of trust antecedents.

In the present study the researcher has limited the analysis to explicit variables, for instance, complaint handling, customer engagement, staff engagement, financial literacy and branch presence; although the robustness of the subject model is its straightforwardness, further research might be needed to determine whether additional variables, i.e., product, pricing, reparation and candid communication, might influence the cognitive and affective trust dimensions in the retail banking context. Similarly, implementing the proposed model in other service driven industries e.g. insurance will be beneficial to gain more validation for the model and more generalised findings across the B2C dealing industry to initiate measures to re-establish trust.

In addition, UK retail banking providers are trying to mitigate the negative impact of branch closures with the help of self-service technologies (SST) or customer migration efforts. Therefore, further research has to be conducted to find out, what impact customer migration efforts might have on the bank level trust dimensions in the midst of recent retail branch closures? Similarly, more research has to be conducted towards customer engagement in the banking industry with particular emphasis on e-banking platforms to trace the touch points a customer has with the bank during the entire buying process i.e., mortgage, credit card or loan etc. to concentrate on that particular platform accordingly. Similarly, more mixed method research should be conducted in the field of banking with particular emphasis on different integration techniques.

As the present study is conducted within the UK retail banking industry; therefore, the study findings are context specific to one country only. However, it would be interesting to conduct a similar research in other EU countries as their banking industry was equally affected from the recent financial crisis and numerous integrity and competence violations. Similarly, the scope of the present study has been narrowed down to the organisational trust only and the phenomenon of institutional trust was out of the scope of the present study. However, previous research (see, chapter 4, for further details) stated that, organisational trust and institutional trust co-exist. Therefore it would be interesting to conduct similar research in the institutional trust context by boarding the scope of the study to other stakeholders' views i.e., the Regulator, the Government and the Rating agencies etc. as they have been equally responsible for the recent financial crisis.

7.5 Summary

To summarise, this chapter has discussed the study results that have emerged during the quantitative and qualitative phases of the study. Empirically, both the survey and interview instruments offered significant information that was pertinent to the research questions. The results indicate that banking providers must offer resilient, simplified and efficient services to win back customer trust. They must improve their services by identifying innovative new ways of doing business both internally and with their customers externally. Following the recent financial crisis they must build their business activities around their customers' needs and provide appropriate and consistent services. Banks of all magnitude must stop offering deals and products to new customers only which they are unable to offer to their existing loyal customers. The UK banks must also stop confusing their customers with complicated language which is hard to understand. To improve customers' confidence over e-banking, banks should work hard to significantly reduce the chance of any major IT incident that could impact their customers' confidence. To conclude, transparency in the banking operations may be the essence of the new architecture following the recent financial crisis.

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UNIVERSITY OF LIVERPOOL

Appendix A:
Focus group invitation letter

Dear sir/madam,

RE: invitation to participate in a focus group regarding "Rebuilding customer trust in the British Retail Banking Industry following the Recent Financial Crisis."

This letter is an invitation to consider participating in a focus group I am conducting as part of my PhD degree from the University of Liverpool Management School on exploring "Rebuilding customer trust in the British Retail Banking Industry following the recent financial crisis" .You have been selected to participate because of the general nature of the subject problem in a public domain and everybody can have a view regarding how the British banks can regain their customer trust. Our finding will be of the wider interest to the banking industry for them to understand their broader responsibility and to improve their trustworthiness. Before you agree whether to participate, it is vital for you to realize why the research is being done and what it will include.

As the recent banking crisis and numerous financial scandals has resulted in a tragic falling-away in public trust in the British banks. This research is focused and aims to explore on how to rebuild that trust as banks had made systematic mistakes by taking huge inexcusable risks and over-indulged in the rewards side. To achieve this aim, a number of focus groups will be held in the public domain to identify key indicators for British banks to improve their trustworthiness and customer service. The study is led by Mr. Shakeel Ahmed and he will also facilities and led all the focus groups interactions. The results of the focus groups will inform the publication of my PhD thesis, different academic journal papers and presentations. All information you provide is considered completely confidential and full anonymity will be provided.

Participation in a focus group is on a voluntary basis; participants are not obliged to answer any questions if they are not comfortable with. Your name will not appear in my thesis or report resulting from this study, however, with your permission anonymous quotations may be used. The focus groups are expected to last 1-2 hours and light refreshments will be provided. With your permission, the focus groups interaction will be audio recorded to facilitate collection of information, and later transcribed for analysis but all participants and data generated will be fully anonymised. Data collected during this study will be retained for 5 years in a locked office in the University of Liverpool secured password protected computer only. Only I and my supervisors will have access. There are no known or anticipated risks to you as a participant in this study. Further, you may choose to withdraw from this study at any time without any adverse consequences by instructing the researcher. .

If you have any questions regarding this study, or would like additional information to assist you in reaching a decision about participation, please contact me +44(0)151 795 3505 at or by email at shakeel@liverpool.ac.uk. You can also contact my supervisor, Dr. Saeed Akbar at +44(0)151 795 3505 or email sakbar@liverpool.ac.uk. I would like to assure you that this study has been reviewed and received ethics clearance through a University of Liverpool Research Ethics Committee. However, the final decision about participation is yours. If you have any comments, complaint or concerns resulting from your participation in this study, please contact the Research Governance Officer on 0151 794 8290 or email at ethics@liverpool.ac.uk. When contacting the Research Governance Officer, for identification purpose, please provide the name or description of the study, the researcher involved and the details of the concern or complaint you wish to raise.

I very much look forward to speaking with you and thank you in advance for your help in this project.

Yours sincerely

Shakeel Ahmed

Doctoral researcher

Appendix B:
Personal interview consent form

CONSENT FORM

Title of Research Project: Rebuilding Customer Trust in the British Retail Banking Industry following the Recent Financial Crisis

Researcher(s): **Shakeel Ahmed**

Please initial box

1. I confirm that I have read and have understood the information sheet dated [DATE] for the above study. I have had the opportunity to consider the information, ask questions and have had these answered satisfactorily. ☐
2. I understand that my participation is voluntary and that I am free to withdraw at any time without giving any reason, without my rights being affected. ☐
3. I understand that, under the Data Protection Act, I can at any time ask for access to the information I provide and I can also request the destruction of that information if I wish. ☐
4. I agree to take part in the above study. ☐

Participant Name	Date	Signature
Name of Person taking consent	Date	Signature
Researcher	Date	Signature

The contact details of lead Researcher (Principal Investigator) are:

Tel: +44(0)151 795 3505
shakeel@liverpool.ac.uk
University of Liverpool Management School, Chatham Building
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Appendix C:
Online questionnaire invitation letter to different UK retail banks

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Research Governance Officer

Dear sir/madam,

RE: Invitation to participate in an online questionnaire on "Rebuilding customer trust in the British Retail Banking Industry following the Recent Financial Crisis.

This letter is an invitation to consider participating in a study I am conducting as part of my PhD degree in the University of Liverpool Management School on exploring "Rebuilding customer trust in the British Retail Banking Industry following the recent financial crisis". Your bank has been selected to participate because due to the recent financial crisis and numerous banking scandals the image of whole of British banking industry has been tarnished and it is of the profound importance for the banks to regain their customer trust. Our finding will be of the wider interest to the banking industry for them to improve their trustworthiness and customer service.

As the recent banking crisis has resulted in a tragic falling-away in public trust in the British banks. This research is focused and aims to explore on how to rebuild that trust. To achieve this aim, an online questionnaire is available in the public domain to assess the British banks trustworthiness. The first part of the questionnaire is designed to reflect on the demographic & socio-economic profiling. While in the second part, respondents will be able to evaluating their bank(s) integrity, competence and benevolence on a 10 items scale. The study is led by Shakeel Ahmed. The results of the questionnaire will inform the publication of my PhD thesis, different academic journal papers and presentations. All information respondents provide will be considered completely confidential and fully anonymous, for instance, bank name(s) and their customer views. This study is strictly adhering to the prescribed code of ethics of the University of Liverpool. Participation in this questionnaire is on a voluntary basis; participants are not obliged to answer any questions if they are not comfortable with. Banks can encourage their customer to participate in this survey via the following link;

https://www.surveymonkey.com/s/RFQPHBH

Respondents personal information will not appear in my thesis or any report resulting from this study. The questionnaire is expected to be filled in 15-20 minutes. Data collected during this study will be retained for 5 years in a locked office in the University of Liverpool secured password protected computer only. Only I and my supervisors will have access. There are no known or anticipated risks to the participants in this study. Further, you may choose to withdraw from this study at any time without any adverse consequences by instructing the researcher. If you have any questions regarding this study, or would like additional information to assist you in reaching a decision about your customers participation, please contact me +44(0)151 795 3505 at or by email at shakeel@liverpool.ac.uk. You can also contact my supervisors, Dr. Saeed Akbar @ +44(0)151 795 3505 or email sakbar@liverpool.ac.uk., and Mr. Phillip Ormrod @ +44(0)151 795 3504 or email ormrod@liverpoo.ac.uk. If you have any comments, complaint or concerns resulting from your participation in this study, please contact the Research Governance Officer on 0151 794 8290 or email ethics@liverpool.ac.uk. When contacting the Research Governance Officer, for identification purpose, please provide the description of the study, the researcher involved and the details of the concern or complaint you wish to raise.

Yours sincerely

Shakeel Ahmed

Doctoral researcher

Appendix D:
The Questionnaire

UNIVERSITY OF LIVERPOOL

Rebuilding Customer Trust in the British Retail Banking Industry following the Recent Financial Crisis

The aim of this survey is to gain general public awareness on how to rebuild trust in the British retail banking. For the compliance of the survey requirements you should be at least eighteen years of age and you must have at least one personal bank/building society or Post Office account in the UK. Participation in this questionnaire is on a voluntary basis and participants may withdraw from completing this survey at any time.

Confidentiality
Under no circumstances this survey data will be used for any other purpose rather than my PhD thesis and academic journal publications. No personally identifiable data will be collected or stored. This questionnaire is anonymous and the researcher will take your privacy very seriously. All the data will be submitted in a form format and will not identify any participant. This study is sickly adhere to the prescribed code of ethics of the University of Liverpool. A copy of the findings of this survey can be forwarded to you on request for complete transparency. If you have any question regarding this survey please contact Shakeel Ahmed, doctoral researcher at The University of Liverpool Management School on shakeel@liverpool.ac.uk or Tel: +44(0)151 795 3505. Please answer these questions by ticking the appropriate box and you may skip any questions you don't want to (or can't) answer.

You're Gender
- ☐ Male
- ☐ Female

Marital Status
- ☐ Single
- ☐ Married
- ☐ Separated / Divorced
- ☐ Widowed
- ☐ Civil Partner ship
- ☐ Living with partner

Age Category
- ☐ 18-30
- ☐ 31-40
- ☐ 41-50
- ☐ 51-60
- ☐ Over 60's

You're Occupation
- ☐ Full time employed
- ☐ Part time employed
- ☐ Self-employed
- ☐ On Social security Benefits
- ☐ Retired
- ☐ Unemployed
- ☐ Student
- ☐ House wife

Academic qualification
- ☐ High school level
- ☐ Under graduate
- ☐ Post graduate
- ☐ PhD
- ☐ Other, please specify

Account type
- ☐ Business
- ☐ Personal
- ☐ Premium / Private banking customer

Living status
- ☐ Home owner
- ☐ Rented accommodation
- ☐ Living with parents
- ☐ Council house
- ☐ Students accommodation

How often do you go into your local bank branch?
- ☐ On a daily basis
- ☐ Twice a day
- ☐ Weekly
- ☐ Fortnightly
- ☐ Monthly
- ☐ Once every three months
- ☐ Never, I do everything online
- ☐ Never, I do everything via telephone banking

How would you prefer you're banking services?
- ☐ Inside the bank branch
- ☐ Online banking
- ☐ ATM (Automatic Teller Machine)
- ☐ CDM (Cash Deposit Machine)
- ☐ Telephonic banking
- ☐ Mobile phone banking
- ☐ Postal mail

Whom do you bank with?
- ☐ HSBC
- ☐ Co-operative bank
- ☐ Tesco Bank

Available facilities in your local branch
- ☐ Automatic cash machine (ATM)

- ☐ NatWest
- ☐ Barclays
- ☐ Halifax
- ☐ Royal Bank of Scotland
- ☐ Lloyds TSB
- ☐ Yorkshire Bank
- ☐ Santander
- ☐ Islamic Bank of Britain
- ☐ Nationwide building society
- ☐ Marsden Building Society
- ☐ Other Building society
- ☐ Post Office
- ☐ Online bank account only
- ☐ Credit Union
- ☐ Other ________________
- ☐ I don't have a bank account
- ☐ Cash deposit machine (CDM)
- ☐ Coin deposit machine
- ☐ Online banking facility
- ☐ Telephonic banking
- ☐ Share dealing service
- ☐ Wi-Fi facility
- ☐ Money Sense advisor

Affiliation period with the main bank

- ☐ Under a year
- ☐ 3 – 5 years
- ☐ 6 – 10 years
- ☐ 11– 20 years
- ☐ More than 20 years

Location of the main branch

- ☐ Town center / City Centre
- ☐ Village / out of town

Have you switchover your main bank in the last 3 years due to your previous bank

- ☐ Poor reputation
- ☐ They charge high fee & charges
- ☐ Offers low interest rates on deposits
- ☐ Poor customer service
- ☐ Incompetence / service failing
- ☐ Poor communication
- ☐ Poor internet site experience
- ☐ Longer queuing time
- ☐ Poor call center experience
- ☐ Local branch was shut down
- ☐ Considered less trustworthy
- ☐ All banks are the same
- ☐ I have never switchover my banking provider

How many banks do you bank with

- ☐ 1
- ☐ 2
- ☐ 3
- ☐ More than three

Do you pay for your checking/ current account

- ☐ Yes
- ☐ No

Do you have any of the following financial products?

- ☐ Personal mortgage
- ☐ Individual Saving Account (ISA)
- ☐ NS&I Bonds / Premium bonds
- ☐ Shares
- ☐ Foreign bank account
- ☐ Saving account with a bank
- ☐ Saving account with the building society
- ☐ Business loan
- ☐ Commercial mortgage
- ☐ Fixed term investment with the bank
- ☐ Personal loan
- ☐ Non-bank account i.e. with John Lewis, M&S, Tesco or other supermarkets
- ☐ Online bank account
- ☐ Credit Card/s
- ☐ Other saving plan
- ☐ Pension plan
- ☐ Life insurance
- ☐ Income protection
- ☐ Utilize Pay day loan facility

Have you been refused in the last five years by your main bank any of the following facilities?

- ☐ Business account
- ☐ Business overdraft
- ☐ Business loan
- ☐ Business debit card
- ☐ Commercial mortgage
- ☐ Current account
- ☐ Personal overdraft

Are you struggling with any of the following recently?

- ☐ Mortgage repayment
- ☐ Credit card repayment
- ☐ Loan repayment
- ☐ Saving
- ☐ Investment
- ☐ Paying utility bills
- ☐ Job loss / make redundant
- ☐ Income fall

☐ Personal loan
☐ Personal mortgage
☐ Credit card
☐ Debit consolidation
☐ Credit facility withdrawn
☐ Being miss sold a personal protection insurance PPI
☐ Loss of income on saving

Have you ever worked for a financial institution?

☐ Yes
☐ No

Please rate the following:
1 = Strongly Disagree
2 = Disagree
3 = Neutral / not sure
4 = Agree
5 = Strongly Agree

Section 1: Organisational Trustworthiness

1.1 Cognitive Trust

For your main bank, for each one of the following statements please tick the box that best describes your opinion

		1	2	3	4	5
1.	I have found it has a reputation for being reliable	☐	☐	☐	☐	☐
2.	I have found it has a reputation for being honest	☐	☐	☐	☐	☐
3.	Based upon my bank track record I have a good reason to doubt their competence	☐	☐	☐	☐	☐
4.	My bank has always looked after me	☐	☐	☐	☐	☐
5.	I have always been provided with an error free banking facility	☐	☐	☐	☐	☐
6.	My bank has always kept my transactions confidential	☐	☐	☐	☐	☐

1.2 Affective Trust - Please rate as above

		1	2	3	4	5
1.	My bank charges me reasonable service fees & account charges	☐	☐	☐	☐	☐
2.	My bank keeps me well informed regarding bank charges & fees	☐	☐	☐	☐	☐
3.	Since the banking crisis I have to wait longer in the queue in my local bank branch	☐	☐	☐	☐	☐
4.	I have found my bank is very active regarding fraud preventions measures	☐	☐	☐	☐	☐
5.	My bank will make a thorough analysis before offering product's and service's to me	☐	☐	☐	☐	☐

Section 2: Customer Engagement

For your main bank, for each one of the following statements please tick the box that best describes your opinion

		1	2	3	4	5
1.	I have found my bank online facility is user friendly and very informative	☐	☐	☐	☐	☐
2.	I have always been offered a personal review every 12 months	☐	☐	☐	☐	☐
3.	I have found my bank holds accurate information about me	☐	☐	☐	☐	☐
4.	It is easy for me to have a 24/7/365 relationship with my bank	☐	☐	☐	☐	☐
5.	I have found my bank is well active on the social media conversation with their customers	☐	☐	☐	☐	☐

Section 3: Staff Responsiveness

For your main bank, for each one of the following statements please tick the box that best describes your opinion

		1	2	3	4	5
1.	I have found my banks staff are always willing to help me	☐	☐	☐	☐	☐
2.	Have a concerned and caring attitude for me	☐	☐	☐	☐	☐
3.	My banks staff maintains a professional appearance	☐	☐	☐	☐	☐
4.	I have found that staff provide me with different alternatives for my transection/banking	☐	☐	☐	☐	☐
5.	My banks staffs always provide me with an exceptional service	☐	☐	☐	☐	☐

Section 4: Branch Presence

In general, for each one of the following statements please tick the box that best describes your opinion.

		1	2	3	4	5
1.	I think the branch network is a sign of a bank's commitment to its customer	☐	☐	☐	☐	☐
2.	I can get most of my banking done without visiting a retail branch	☐	☐	☐	☐	☐
3.	With the closure of my local bank branch I'm saving less money now	☐	☐	☐	☐	☐
4.	I think supermarket is a best substitute for my local bank branch	☐	☐	☐	☐	☐
5.	I visit my local branch if I have a problem with my bank account	☐	☐	☐	☐	☐

Section 5: Complaint Handling

If you have made a complaint in the past, please answer the following questions. If not please go onto the next section.

How many complaints you have raised in the last five years?

- ☐ 1 to 5
- ☐ 5 to 10
- ☐ More than 10
- ☐ I have never raised a complaint

Was the resolution to your satisfaction?

- ☐ Yes
- ☐ No
- ☐ I have switch over my main bank due to their poor complaint handling

How satisfied are you with your bank complaint handling procedures?

		1	2	3	4	5
1.	Clear instructions were given to me regarding how to raise a complaint	☐	☐	☐	☐	☐
2.	I have found encouraging staff attitude while recording my complaint	☐	☐	☐	☐	☐
3.	I was being kept informed on the progress of my complaint until a resolution is reached	☐	☐	☐	☐	☐
4.	I was always given a clarification of the cause of the problem	☐	☐	☐	☐	☐
5.	If the answer was No I was always given a satisfactory explanation	☐	☐	☐	☐	☐

Section 6: General Perception & financial literacy (question 7 – 11)

Please rate the following:
1 = Strongly Disagree
2 = Disagree
3 = Neutral / not sure
4 = Agree
5 = Strongly Agree
Thinking about generally, please tick the box that best describes your opinion

		1	2	3	4	5
1.	My bank offers competitive interests rates	☐	☐	☐	☐	☐
2.	I would strongly recommend others to deal with my bank	☐	☐	☐	☐	☐
3.	I trust my local bank based on their past experience	☐	☐	☐	☐	☐
4.	I think my bank can do a lot to restore my trust?	☐	☐	☐	☐	☐
5.	Due to my bank's present performance I want to switch my account elsewhere	☐	☐	☐	☐	☐
6.	I think its government responsibility to restore the banking trust?	☐	☐	☐	☐	☐
7.	Bank statements are complicated for me to understand	☐	☐	☐	☐	☐

8.	I do understand the importance of personal financial review	☐	☐	☐	☐	☐
9.	Direct debit mandate & standing order agreement are confusing to me	☐	☐	☐	☐	☐
10.	Individual saving account (ISA) is my tax free saving allowance per year	☐	☐	☐	☐	☐
11.	Financial services are complicated and confusing for me to understand	☐	☐	☐	☐	☐
12.	I am quite optimistic regarding the future of my bank	☐	☐	☐	☐	☐
13.	I am quite optimistic regarding the future of the British retail banking industry	☐	☐	☐	☐	☐

Thank you for your participation and contribution

Ethnicity	Annual Income	Academic qualification
☐ White & any other White ethnic group	☐ Less than £5000	☐ High school level
☐ Asian or Asian British	☐ £6,000 - £ 10,000	☐ Under graduate
☐ Black Caribbean & other	☐ £11,000 - £20,000	☐ Post graduate
☐ Any other ethnic group	☐ £21,000 – £ 30,000	☐ PhD
☐ Refuse to answer	☐ £31,000 - £50,000	☐ Other, please specify
	☐ £ 51,000 - £ 75, 000	☐ ________________

Generally in your opinion which is the most trusted mainstream bank in the UK

- ☐ Lloyds TSB
- ☐ Halifax Bank
- ☐ NatWest
- ☐ Royal Bank of Scotland (RBS)
- ☐ HSBC
- ☐ Santander
- ☐ The Co-operative Bank
- ☐ Nationwide Building Society
- ☐ Yorkshire Building Society
- ☐ Other ________________

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Appendix E:
Covering letter for personal Interview

Dear sir/madam,

RE: invitation for a personal interview

Research project: Rebuilding customer trust in the British retail banking industry following the recent financial crisis

This letter is an invitation to consider participating in a study I am conducting as part of my PhD degree in the University of Liverpool Management School on exploring "Rebuilding customer trust in the British Retail Banking Industry following the recent financial crisis". Your bank has been selected to participate because due to the recent financial crisis and numerous banking scandals the image of whole of British banking industry has been tarnished and it is of the profound importance for the banks to regain their customer trust. This study finding will be of the wider interest to the banking industry for them to improve their trustworthiness and customer service. I would like to provide you with more information about this project and what your involvement would involve if you decide to take part.

As the recent banking crisis has resulted in a tragic falling-away in public trust in the British banks. This research is focused and aims to explore on how to rebuild that trust. To achieve this aim, in the first phase of this study an online questionnaire was available in the public domain to assess the British banks trustworthiness along with other key antecedents of trust, for instance, front line employee engagement, customer engagement, complaint handling, retail branch presence and customer financial literacy. Now in the second phase, the researcher will be aiming to achieve a deeper understanding by conducting a personal one-to-one interview with your senior-level bank official to quantify your existing endogenous efforts that to what extent your bank is reassuring customers to gain their trust and managing communications around economic trials and business performance tribulations?

The interview will be led by Shakeel Ahmed. All information respondents provide will be considered completely confidential & fully anonymous. Bank and banking official names will not appear in my thesis or any report resulting from this study, however, with your permission anonymous quotations may be used. The interview will last for 1-2 hours and with your permission, the interview will be audio recorded to facilitate collection of information and later transcribed for analysis. Data collected during this interview will be retained for 5 years in a locked office in the University of Liverpool secured password protected computer only. Only I and my supervisors will have access. There are no known or anticipated risks to the participants in this study. Further, you may choose to withdraw from this study at any time without any adverse consequences by instructing the researcher as participation in this study is voluntary. Participants are not obliged to answer any questions if they are not comfortable with. The results of the personal interview will inform the publication of my PhD thesis, different academic journal papers and presentations, however, complete anonymity will be provided. This study is strictly adhering to the prescribed code of ethics of the University of Liverpool. However, if you have any questions regarding this study or would like additional information to assist you in reaching a decision regarding your participation, please contact me on +44(0)151 795 3505 at or by email at shakeel@liverpool.ac.uk. You can also contact my supervisors, Dr. Saeed Akbar @ +44(0)151 795 3505 or email sakbar@liverpool.ac.uk., and Mr. Phillip Ormrod @ +44(0)151 795 3504 or email ormrod@liverpoo.ac.uk. If you have any comments, complaint or concerns resulting from your participation in this study, please contact the Research Governance Officer on 0151 794 8290 or email at ethics@liv.ac.uk. When contacting the Research Governance Officer, for identification purpose, please provide the description of the study, the researcher involved and the details of the concern or complaint you wish to raise.
I very much look forward to speaking with you and thank you in advance for your help in this regard.

Yours sincerely

Shakeel Ahmed

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Appendix F:
Personal interview questions

Personal one-to-one interview questions with the banking officials

Interview Questions;

1. What effort have your bank made so far to improve your banks trustworthiness? Or any changes/improvements you have made to your banking operations to prevent integrity and competence violations?

Now speaking of your customers;

2. How would you assure your customers that they are getting the best value for their money?
3. How easy is it for your customer to contact their bank 24/7/365? And what channels mix is available to them?
4. Since the recent financial crisis have you shut down any retail branches and if you did, how did you manage the customer migration?
5. Have you made any changes/improvements towards customer complaints handling since the crisis? Or how your customers can be rest assured that they will get a fair outcome in case of a complaint?
6. What efforts you have made towards the customer engagement since the financial crisis, as customer engagement is an antecedent of customer trust in retail banking?
7. What efforts you have put forward to improve your customer's financial literacy or customer education? As it was one of the key factors which leads to these crisis.
8. What investment you have made in your front line staff since the crisis?
9. Do you conduct "mystery shoppers" exercise, to assess the performance of your staff to ensure that your customers are getting fair advice?

Now we're going to continue this conversation and let's talk about;

10. What is your bank's view regarding the new system of regulation? i.e., FSA is being replaced by Financial Conduct Authority (FCA) & Prudential Regulation Authority (PRA) and an independent Financial Policy Committee (FPC) is created at the BoE.
11. What is your bank's views regarding ring fencing?
12. What effort you have made so far since the crisis to improve your relationship with the business community?
13. If in case your bank was bailed out by the UK government, what efforts have you made to pay back the tax payers money?
14. Are you worried about the future of British retail banking?

Thank you very much for your willingness to participate in this interview.